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**Letter of Comment No: 1102**  
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**From:** Bob Sweet [bsweet@cisco.com]  
**Sent:** Wednesday, April 21, 2004 8:40 AM  
**To:** Director - FASB  
**Subject:** Stock Options Accounting Policy

As a Cisco employee, I am very troubled by the current proposed change in rules for expensing the estimated cost of stock options. Stock options are a powerful motivator for employees, and the proposed rules will create onerous new impediments to continuing the practice of extending stock options to rank-and-file employees.

Personally, stock options have meant a great deal to me as a motivator. On many a day, I have felt like throwing up my hands at the long hours needed to keep up the pace at a leading high tech company. During those more difficult moments, I would pull out the calculator and figure out how my life might improve if I just kept at it and the stock price and value of the company rose. Now I must say I was not wise enough to exercise options when they were highly valued, but that's not the point ... the real value is feeling that my contributions are valued and will be rewarded if the company does well, and that I need to do everything I can, above and beyond normal performance, to see that the company excels.

One of the most difficult issues is how to value stock options for a high tech company. I've seen my options, small as they are compared with management, fluctuate wildly from being worth nothing to being valued highly. Few of us have the discipline and foresight to maximize the peak value of options, so the real value of the options seems to be very difficult to calculate. Similarly, the true cost to a high tech company is very difficult to quantify accurately as the fluctuations are so large.

The current method of including the options information in footnotes adequately informs investors of the issue. The proposals being considered will only detract from the growth prospects for the U.S. high tech business and take away the feeling of deep involvement by rank-and-file company employees.

Regards,

Bob Sweet