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**Letter of Comment No: 1112**  
**File Reference: 1102-100**

**From:** Stephen Taylor [staylor@cisco.com]  
**Sent:** Wednesday, April 21, 2004 10:58 AM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com  
**Subject:** Chairman Robert H. Herz, re:File Reference No. 1102-100

Dear Mr Chairman,

I am a 6 year Cisco employee who is very concerned about the pending decision to change stock option accounting and cause them to be an expense to the issuing company. Prior to joining Cisco I have been both an employee of large companies and a small business owner. Having worked in these 2 very diverse environments, I have observed the significant difference in employee motivation and culture that results from "just" collecting a paycheck versus being an owner in the business. One of the key things that attracted me to Cisco was the ability to have the best of both worlds, the collaborative motivation of the organization to a common set of objectives that is fostered by ownership plus the financial & human resources that a successful corporation offers. There is not a person at Cisco that I have encountered in my 6 years, who does not work harder or think differently than the average employee at non-ownership companies, because of their options. If you need a real world example, think about the difference in the condition of an owner-occupied home versus a renter-occupied home after a couple years. I have been a landlord as well and I can tell you the owner will always maintain the home better than the renter. Thus it is with the comparative employee stewardship of their company as well.

We have a great culture at Cisco and a happy and motivated team of 34,000 co-owners worldwide; the elimination of options would cause those advantages to deteriorate over time to the detriment of the company, its financial performance and our global competitive position versus the abundant number of overseas & domestic competitors.

As to the perceived accounting issues associated with broad-based employee stock options, I don't see the same issues you see. We already have the fully diluted impact of the options being reported so it should be clear to my fellow non-employee shareholders what our financial performance is assuming all options were exercised. That aside, the valuation of options for expense purposes is complex and as dynamic as the stock market yet there is no market for the options I hold. Further, if we expensed options before they are vested and exercised and the employee leaves, would we then get a corporate credit since we have already expensed them? What if we expense them and the price of the stock drops below the strike price, another credit to earnings? These are just a few of the many issues I see with respect to the expensing of options. It is my hope this effort will be reconsidered because I believe the advantages of options far outweigh the issue that we you are attempting to address.

Best Regards,

Steve Taylor  
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