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Letter of Comment No: 1199
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From: Paul Bradley [Pbradley@cisco.com]
Sent: Wednesday, April 21, 2004 1:29 PM
To: Director - FASB; savestockoptions@cisco.com
Subject: On the Topic of Stock Option Expensing

Dear Chairman Robert H. Herz,

Please reference No. 1102-100.

Sir,

I don't claim to be an accounting wizard, so I'm not claiming to understand all the nuances associated with the stock option expensing issues. I do have some first hand experience I'd like to relate, and it's strongly in support of stock options.

Coming to CISCO ten years ago was my first experience with stock options. Up until then, I had worked at two computer companies, neither of which gave out stock options. I had a similar experience at both of my previous companies: leadership got stock, rank and file got nothing and were very unmotivated. People didn't feel there efforts made any meaningful impact in their income. Sure, you may get a raise, and make a few dollars more, but it didn't take a rocket scientist to realize you could just didn't get that far ahead for all that extra effort. Innovation was stifled because there wasn't any real reward for the risk taken, and you didn't feel like you had a meaningful stake in the company.

All that changed coming to CISCO. Granted I picked the right horse, albeit by luck. Still, as I saw my "nest egg" move up/down, I felt a direct relationship between my work decisions/innovations and the money in my pocket. I can't tell you how many times I'd say "I'm a significant shareholder in the company, and I'm making this decision in our best interests". I felt that my actions had a direct impact on the companies bottom line, and therefore the money that went into my pocket. This is motivating, and removing stock options will impact this greatly.

People may argue that a "false promise" of stock option payoffs is "fooling the employees" and they should just be paid more. I argue that the success of this valley (Silicon Valley) was created by the "few" risk taking entrepreneurs that worked for the high yield pay off of options, not a 9-5 salary. They knew there was a chance to get nothing, but they believed in themselves and their ideas enough to take the chance. I'm very worried about the future of high tech in this country, and the impact of the FASB move.

I see many of my non-native American peers looking to move back overseas, taking with them all that they learned here. Very soon, we will be competing against the best and the brightest from all over the world, that we trained in America. Our high technology companies are only successful because of the knowledge and innovation of their employees. Taking away stock options, takes away a very strong tool for companies to retain key employees. Without stock options and their vesting periods, employees are much more willing to "jump ship" and take with them all the knowledge they've accumulated. Sure, we have laws to restrict intellectual property, but you can't keep people from using what's in their head. It's just not enforceable.

While understanding there are many nuances to the stock option debate, I've only chose to touch on those that I feel very strongly on, and have direct experience to draw upon. Again, I feel any laws affecting stock

options need to be crafted very carefully. They need to keep in mind: the gains our country, it's people, and companies have achieved because of the benefits of stock options. A law that unfairly expenses stock options too the point were they're overly expensive and then highly restricted will harm: the employees, the companies, the American high technology innovation, and in the end the American economy to foreign competitors.

Paul Bradley
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