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From: Ted Gauthier [tedg@cisco.com]
Sent: Tuesday, April 20, 2004 7:45 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
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Employee ownership has been a part of the Cisco culture since day one. We all contribute to Cisco's success and we should all benefit when the company is successful. The basic tenet of employee ownership is now under fire.

Late last month, the Financial Accounting Standards Board (FASB) released a draft plan stating that they intend to treat stock options as an expense. The valuation they propose would make it very difficult to continue broad-based employee stock option programs like the one we currently have at the company I work at, Cisco Systems, Incorporated.

I urge you to not to expense stock options, especially at an unrealistically high valuation. My stock options are the reason I work at Cisco. Getting stock options as incentives is a great motivational tool for employees. It empowers us to have control over not only our compensation for good work, but also directly involves each employee in the success of the company.

From an accounting perspective,

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
- Stock options do not meet the definition of an expense because they do not use company assets.
- The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

From the perspective of business competition:

- U.S. companies need stock options to compete with other countries on a global basis. (Example: Chinese companies use stock options and they do not treat them as an expense.)
- Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'.

Thank you very much for your time and consideration

Theodore J. Gauthier
Employee of Cisco Systems, Inc.

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