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**From:** Yong Cheng [ycheng@cisco.com]  
**Sent:** Monday, June 14, 2004 11:02 AM  
**To:** Director - FASB  
**Subject:** Stock Option Expense Plan

**Letter of Comment No: 43a0**  
**File Reference: 1102-100**

Dear Chairman Robert H. Herz,

I am writing to you referring to File Reference No. 1102-100, the Stock Option Expense Plan.

The high tech industry and I personally have benefited greatly from broad-based employee stock option programs which distribute stock options to all levels of employees in an organization. My employer, Cisco Systems, Inc. has a built a strong company with committed workforce partially based on its intelligent, transparent and fair-minded distribution of stock options as incentives. Employees at Cisco approach their jobs as owners and know that their efforts to improve the company's performance will enhance the value of their stake in the company as well as that of millions of other shareholders. Cisco is a great example of the power of stock options. Eighty percent (80%) of the stock options distributed by the company are distributed to first/second line managers and individual contributor employees. This type of distribution would not be feasible if stock options were to be treated as an expense.

A strong example of how creating employee-owners through the distribution of stock options has benefited Cisco shareholders is that even with the recent downturn, a dollar invested in Cisco stock in January of 1995 is worth \$11 today. This is a phenomenal rate of return based on the company's great performance fueled by employees with a strong sense of ownership in the company.

Stock options will allow employees who truly benefit from the options, using them to send their children to college or buy their first home, to continue to benefit by bringing a culture of ownership to their work. Also, this action will protect the global competitiveness of American companies, by putting the United States on equal footing with company's in India and China for example, that offer broad-based employee stock options programs.

I look forward to hearing from you on the issue.

Sincerely,

Yong Cheng