

Letter of Comment No: 2422
File Reference: 1102-100

Stacey Sutay

Subject: FW: Stock Options

-----Original Message-----

From: Todd Erne (terne) [mailto:terne@cisco.com]

Sent: Friday, May 14, 2004 5:20 PM

To: Robert Herz

Subject: Stock Options

Mr. Herz

I'm writing today with regard to FASB's investigation into the treatment (expensing) of Stock Options. I'm an employee of Cisco Systems and as you are probably aware Cisco utilizes stock options for employees. Cisco is the first company that I have worked for using this practice and I believe is one of the reasons it is such a great company.

Ownership changes many things whether a person realizes it or not. The way people treat a rental apartment or a rental car differs greatly from the way they treat things they own. And stock options real give employees ownership in the company. With the ownership, I believe, comes increased dedication and commitment which in the long run will build a stronger and more competitive company. Employees can then share in the success of the company.

With global competition today and many non-US firms utilizing stock options without the requirement of expensing them it may lead to a large competitive disadvantage for US firms. I recently read an article from Harvard Business Review "Fast Heat: How Korea Won the Microwave War" and it was amazing to me how Samsung became a world player. As amazing of a story it was it also very scary to me...the US needs to keep jobs, motivate employees, and increase productivity to keep pace and hopefully stay ahead.

I truly believe stock options can be a big part of keeping us competitive. I also agree that clear, credible and comparable financial information must be provided by firms to ensure the health of the greater US Market. However, sometime too many regulations has the opposite impact of the intent.

From an individual (non-executive) point-of-view the loss for company stock options would have tremendously negative impact on my retirement planning. I utilize many different investments, however, the stock options are a great term investment that let's me share in the success of Cisco.

In closing, I would ask that you vote 'not' to require the expensing of stock options. I believe the productivity and motivation it provides the employees of the United States will help keep us the greatest place to live, work, and play.

Thank you for your time,

Todd Erne

Major Account Manager

Cisco Systems

7900 International Dr., Suite 400

Bloomington, MN 55425

952.967.8571 Direct - Cisco IP Phone

612.819.4820 Cell

952.967.8311 Fax

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