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Letter of Comment No: 2132
File Reference: 1102-100

From: Kristin Frost [kfrost@cisco.com]
Sent: Friday, April 30, 2004 10:05 AM
To: Director - FASB
Subject: Plea to not expense stock options - File Reference No. 1102-100
Importance: High

Dear Chairman Robert H. Herz

In regards to File Reference No. 1102-100, I am sending you my plea not to push forward with this draft ruling to expense stock options, especially at an unrealistically high valuation.

I have worked for Cisco Systems for almost 9 years. I have my BA in Economics from the University of San Diego. I began my tenure not even knowing how to use email and voice mail and now I use the Internet to do business and my phone calls run over the data network. Now THAT is innovation and at a very fast pace. That innovation, I feel, comes from a culture of energy and motivation from every single Cisco employee. There is nothing else that can explain how quickly we changed the way our Customers do business - even the hi-tech boom wasn't moving as fast as Cisco. That energy and motivation is fueled by a sense of ownership and commitment, which comes via stock options

Day 1 at Cisco I was too "green" to understand what this chunk of stock options would do for me. If I were to join Cisco today, their offering (or not) of stock options would determine whether I joined Cisco or not.

Everyone at Cisco outperforms because there is something to strive for. Employees receive a salary, so they can work 8-5. However, why is it that I am frequently at Cisco HQ or at a remote Cisco sales office and the parking lot is still 1/2 full at 7:30pm? It's the drive to get the job done, and to get it done well. To be recognized, via stock options, makes me feel like my hard work is not just recognized but I am also making an impact in a large company.

I bought my first home, using my stock options. There is no way I could have afforded to buy my modest home without having my options available to me. I also have a financial reserve, which can take years to build via salary alone. Cisco granting me stock options has made all this possible and changed my life.

John Chambers has been recognized dozens of time, for Cisco's unique and stellar culture. One huge cornerstone of culturally successful companies, I feel, are stock options. USA-based companies differentiate themselves and are outperforming their global competition with these cultures - high adaptability to change and motivation to innovate.

The proposed valuation in the FASB draft plan would make it extremely difficult for Cisco to continue offering broad-based employee stock options and that will change Cisco Systems, technology innovation, the competitive landscape and lastly, it will change me. **Please do not push forward this draft ruling to expense stock options.**

Thank you,

Sincerely,
Kristin Frost

5/3/2004