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Letter of Comment No: 866 File Reference: 1102-100

From: Jim Kerr (jkerr) [jkerr@cisco.com]
Sent: Tuesday, April 20, 2004 3:45 PM

To: Director - FASB

Cc: savestockoptions@cisco.com

FASB:

You recently released a draft plan stating that you intend to treat stock options as an expense. The valuation you propose would make it very difficult to continue broad-based employee stock option programs like the one we currently have at Cisco Systems. I think this is a serious mistake, and I'd like to explain why!

I believe that a fundamental issue facing the U.S. labor force today, is work ethic and motivation. We all believe that someone else owes us, no matter how we at perform our jobs. Professional athletes, as an example, want all the money in the world before they have proven their worth, or ability to continually perform at a high level year over year. Labor Unions want to work less and earn more. U.S based company's are continuing to out-source more jobs outside the United States. Why? They can't compete with the current price / performance they get via the U.S. labor force.

The answer is incentive based on performance! Linear productivity and performance = stock options!

As the world becomes even more global, from a business perspective, and country's like China wake up to it, we must face these challenges head on. The U.S. must strive to continue innovation, performance, and increased productivity in order to thrive into the future.

Instead of taking employee options away, find a way to get all company's to offer them. They really work!

Regards.

Jim Kerr

THE POWER OF THE NETWORK, now

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