

ikon**Letter of Comment No: 1093**
File Reference: 1102-100

From: Kevin Cossaboon (kcossabo) [kcossabo@cisco.com]
Sent: Wednesday, April 21, 2004 8:57 AM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100
Signed By: kcossabo@cisco.com
Importance: High

Chairman Robert H. Herz

It has come to my attention that late last month, the Financial Accounting Standards Board (FASB) released a draft plan stating that they intend to treat stock options as an expense.

I have work for Cisco Systems, Inc. for almost 5 years now, and have participated in an employee stock option plan since the day I was hired. The ESOP was a major factor in me seeking work at Cisco, and feel that it is an important part of my compensation.

I am not an accountant, but from what I have read there is no way to properly account for the future value of an option. The true 'cost' to Cisco for my options are accounted for as a dilution of earnings per share, if they are executed, not when granted.

I hold options today that are for CSCO values at \$54.5313 and \$50.3750. The options may NEVER get exercised before the expiration, and will be no cost to Cisco Systems, Inc. except the administration of the plan. I hope that the proposed accounting changes do not get adopted, so that when the day arrives that I leave Cisco Systems that I will leave behind a large number of unvested Stock Options that were never accounted as an expense.

I was under the assumption that that the issuing of options was a dilution of earnings per share, and accounted for on exercising the option. In my example above the \$54.5313 and \$50.3750 options my never be accounted for, as they may expire before the market gains value to this level again.

As I mentioned, I joined Cisco Systems, Inc. in part due to the ESOP. Since 1999 I have never exercised a Stock Option. The fact that I have a stake in the success of the company helps drive me everyday to perform at my highest level, and improve Cisco Systems place in the market place.

I am paid a fair market value, as salary for my work. I do not however 'punch a clock', wait for a 5 o'clock horn to blow or rush out the door. Why? Because I have a stake in the future of the company. I have 'golden handcuffs' that inspire me to look 'long term' at Cisco as an employer, and to drive the success of Cisco. I am a share holder and I am focused on insuring that the share holders of Cisco Systems, Inc. receive a fair rate of return on their holdings, by insuring everyday that I add value to Cisco Systems, Inc.

I am well aware of the dot-com executive abuse of the stock options. And how focusing only on the value of a stock can incite an executive to drive the market value of the company higher without looking at the long term strength of the company. But in most of these cases, the companies violated EXISTING FASB rules in hiding expenses and miss accounting. How does adding new rules that limit the ability for employee ownership assist in preventing abuse? The existing rules must be followed, not adding more.

I would like to tell you of an example of the personal wealth that the Cisco Systems, Inc. Employee Stock Option Plan has brought me and my family, but I do not have one. I have not been made 'rich' by working for a company that hand out Stock Options. I hold many options, most of which are worthless, and probably will expire worthless. I do have some 'value' in options. After 5 years of GENEROUS grants in a down turned economy, I have 1/3 of a years salary of

4/21/2004

total unexercised vested stock option wealth.

Why is the ESOP of so much value to me? It is ownership in the GREAT Company I work for, it is proof that the Company I work for values me, as much as the executives. It is hope that by choosing the right company, doing a good job, that the market value of the company will increase as the company sales increase, market presences increases, and stock price increases.

In my humble opinion, these new rules will not prevent Executive at corporations from receiving Options, they will remove the ability for those companies that include a broad-based employee stock option programs to continue. The rules will HURT the individual contributor, not the executives, and do not assist in accounting for a true 'expense'; it will not prevent abuse of executive powers by the few who choose to do so.

These new rules will hurt ME, a first generation immigrant to your country, with a dream of succeeding in America.

Kevin Cossaboon
Systems Engineering
Cisco Systems, Inc.
kcossabo@cisco.com
Direct: (703) 484-0219
Pager: 800 365-4578
Fax: (703) 484-0219
E-Page kcossabo@epage.cisco.com
Home Office 703-880-9895