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Letter of Comment No: 891
File Reference: 1102-100

From: Marc Shaffer [mashaffe@cisco.com]
Sent: Tuesday, April 20, 2004 2:09 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Mr. Herz,

I am contacting you to personally urge the FASB to NOT treat employee stock options as an expense.

I am an employee of Cisco Systems, Inc. I have worked for Cisco for almost 7 years (since JUL 97). I joined Cisco because of their reputation for leadership in their industry and reputation for a very focused and driven culture. I believe Cisco's culture is largely driven by the employee stock option plan. Everyone from the individual contributor to executive management has a sense of pride and motivation that is second to none in a large corporation. This is obvious from the inside, but even more so to those external to Cisco. The commitment every employee has through company ownership is what makes Cisco one of the top companies in the world and ultimately translates into increased shareholder value.

A change to FASB rules requiring expensing of options would kill employee stock option plans at Cisco and other US companies. This will most certainly result in a change in employee attitude and culture at those companies affected. It will in turn have a negative affect on shareholder value and make US companies less competitive with other countries that don't require the expensing of employee stock options.

Requiring companies to expense employee stock options will immediately eliminate a proven tool that has driven innovation and productivity. Motivation through company ownership is a core foundation of America. It has driven many US companies to greatness and fueled our economy over many years. Changes such as these will have a dramatic effect on high technology leadership in America. Timing also couldn't be worse. We are in the midst of a recovery and the first rule should be to "do no harm".

I personally came from a very poor family growing up. The rewards I have received at Cisco from the employee stock plan have not only motivated me, but they have allowed me to set aside funding for my children's college and provide a quality home life to raise and educate my children during their pre-college years. It's very easy to stay focused on working hard and doing what's right for the company and shareholders when you know you will be rewarded with something that will greatly compound over time if you continue to perform.

Please reconsider the current plan to require the expensing of stock options. The true cost of a stock option is the dilution of EPS. This is already accounted for when the options are exercised.

Sincerely,
 Marc Shaffer

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