Len Tatore

Letter of Comment No: 1256 File Reference: 1102-100

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To: Director - FASB

Cc: savestockoptions@cisco.com Subject: File Reference No. 1102-100

Employee ownership has been a part of the Cisco culture since day one. We all contribute to Cisco's success and we should all benefit when the company is successful. The basic tenet of employee ownership is now under fire.

Late last month, the Financial Accounting Standards Board (FASB) released a draft plan stating that they intend to treat stock options as an expense. The valuation you proposed would make it very difficult to continue broad-based employee stock option programs like the one we currently have at Cisco. What are you people thinking? Silicon Valley High Tech Companies routinely offer stock options to EVERY employee, not just the officers. This is a way for everyone to share in the success of the company. Why penalize everyone for the mistakes of a few cheats at other companies like Enron and Worldcom.

I urge you to not expense stock options, especially at an unrealistically high valuation. Being a company owner through stock options has helped influence my work and motivation and aligns my goals with shareholders' interests. How dare you even consider making options an expense. No company will be able to afford giving options to every employee and by cutting out the rank and file from stock options, you are guaranteeing that only the top executives will ever receive them.

Accounting Issues:

- * The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
 - * Stock options do not meet the definition of an expense because they do not use company assets.
- * The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

Competition:

- * U.S. companies need stock options to compete with other countries on a global basis. (Example: Chinese companies use stock options and they do not treat them as an expense.)
- * Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'.

Cisco Systems will never be able to increase their employment in the United States if they have to expense stock options. They will no longer be able to compensate employees in this way and will be unable to compete with foreign companies unless all new employees are hired in other countries at lower costs. Do we need to move overseas to obtain the American dream?

Regards. David Dorr