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To:

Letter of Comment No: 998 File Reference: 1102-100

 From:
 Bryan Chan [brchan@cisco.com]

 Sent:
 Tuesday, April 20, 2004 12:42 PM

Director - FASB; savestockoptions@cisco.com

Subject: File Reference No. 1102-100 (Chairman Robert H. Herz)

Dear Chairman Herz,

I am writing to you in hopes that you will reconsider dropping the plan to treat stock options as an expense. I work at Cisco Systems at the bottom rung of the company as a customer support engineer. I am happy to say that my company has a broad based employee stock options plan and how tremendous of an impact it has on my motivation and productivity as an employee. Personally, I have yet to benefit from my company's stock options plan because I started with the company near the end of 2000 and never got to experience the crazy stock boom of the late 90s. However, the fact that Cisco provides me with options gives me the dream that one day I may reap a large financial reward. This drives me to work extra hard for my company and my desire to see my company succeed. I believe this effect is well aligned with the interests of the shareholders. I also believe that a broad based employee stock options plan helps attract and retain top talent within Cisco and within corporate America. Passing a bill that would kill off a broad based employee stock options plan will make American companies less attractive to top talent and less competitive with foreign companies. Already we are seeing a significant amount of jobs outsourced abroad in the name of cutting costs. It is clear that companies will not generously give raises in such touch economic times. Introducing a bill that discourages broad based options will be another blow to the morale of your average American employee.

I do believe that options need to be accounted for in some way but not as an expense as your bill suggests. How can you accurately value options at the time of offer when they on average don't fully vest till 5 years later? Based on market conditions, the options at that time may be worth something or it may be worthless. If it is the latter, the employee will not exercise those options. How do you account for this? Will that then be a credit to a company's bottom line? Currently, much of my options are "underwater". Who knows what it will be worth when they are fully vested. I fail to see how you can accurately place a value on options at the time of offer. No real money is given to the recipient of options until they are actually exercised. I think a different plan is needed to factor in the cost of options, perhaps at the time of exercise by an employee. I believe the true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. I am not writing to you simply as an employee receiving stock options. I own regular stock shares of Cisco and consider myself as a shareholder as well.

Regards,



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