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Letter of Comment No: 960
File Reference: 1102-100

From: John Klekner [jklekner@cisco.com]
Sent: Tuesday, April 20, 2004 1:54 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Please save our Stock Options! / File Reference No. 1102-100,
Importance: High

Chairman Robert H. Herz:

I am writing to voice my concern on the proposal last month by the Financial Accounting Standards Board (FASB). I understand this proposal is designed to treat stock options as an expense, and I wish to voice I am adamantly opposed to this.

I am a proud employee of Cisco Systems (CSCO), one of the most successful companies in the world! Cisco has grown from a small start up in the mid 1980's to a corporate leader in 2003 with annual revenues in excess of \$19+ billion, while employing 34,000 employees worldwide.

Cisco takes great pride in compensating employees for their contributions that directly relate to the success of the company. To recognize employees' contribution, Cisco has developed several vehicles with which to compensate and reward employees. These include base salary, cash incentives, recognition programs, stock options and stock purchase.

Cisco instills in every employee the "ownership culture" that is represented by our stock options and stock purchase plan. This culture has continually reminded me that I must always deliver what is best for our company, our customers, and our stock holders.

The success of these programs have benefited me personally and I wish to elaborate on a few of them. Please note, these rewards come from hard work (productivity), commitment, loyalty and perseverance and have not just been given to me on a "silver spoon."

Some specific examples of the rewards from the benefits of this culture are as follows: I have successfully eliminated my student loan debt while contributing to a retirement plan that will allow me to retire comfortably someday. Additionally, I have successfully purchased a new home in which the down payment was funded from the rewards of the aforementioned stock purchase vehicles.

Chairman, if this is not what the "American Dream" is all about, then help me understand what it is and how I can continue to strive to accomplish my aspirations if we remove the opportunity for companies to share with their employees the benefit of hard work and a sense of ownership!

Some salient points to consider:

- 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.

In closing, I wish to thank you in advance for your support on this serious issue that must be resolved fairly.

If you wish to discuss anything in further detail, please feel free to contact me directly.

4/20/2004 Nic