

Len Tatore

From: Jim Nieters [jnieters@cisco.com]
Sent: Thursday, April 22, 2004 5:13 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Please do not expense stock options (Reference No. 1102-100)

Letter of Comment No: 1439
File Reference: 1102-100

Dear Chairman Herz,

If the FASB implements expensing of stock options, it will--I contend--have a significant negative impact on the US economy, the competitiveness of US-based companies, and on families like mine. I urge you to not treat stock options as an expense per the draft memo distributed in March, 2004 (file reference no. 1102-100), especially at such a high valuation.

If stock options become tracked as an expense according to the FASB plans to-date, then companies such as Cisco Systems, Inc, will likely decline to offer such options to a broad base of employees. Such an eventuality could decrease federal income tax revenues by billions of dollars annually. I alone pay \$160,000 in federal income taxes annually as a result of stock options given to me by Cisco Systems. The FASBs plan would decrease federal income significantly, rather than increasing it, because most employees would not have stock options to exercise and sell.

If stock options in the USA are treated as an expense, it will also negatively impact the US economy because US-based corporations will be less able to compete with--for example--China-based corporations, which offer such options and do not treat them as an expense.

Stock options that I have received have ensured my retention (as a top performer) at Cisco Systems, Inc for 11 years. Without such options, I and many of my more talented colleagues would almost certainly have left the company many years ago. If this were to happen, Cisco would have fewer methods for retaining top talent, which would hinder innovation and further impair competition.

In addition, stock options have permitted my family to purchase a home, whereas I could never have afforded a down-payment on a home without having been able to exercise and sell my stock options.

Finally, I interpret stock options as not meeting 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 the cost is already accounted for when options are exercised.

Thank you for your consideration of this issue. I firmly believe that the best interests of the US economy--and millions of americans--will be served by not expensing stock options.

James E. Nieters
11-year employee of Cisco Systems, Inc.