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Letter of Comment No: 2524
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From: Steve Barrera [sbarrera@cisco.com]
Sent: Wednesday, May 19, 2004 3:08 PM
To: Director - FASB
Subject: Save Our Stock Options - Cisco Systems, Inc

Chairman Robert H. Hertz,

I am writing to you as a Cisco Systems, Inc software engineer regarding your FASB's intentions to require that corporations treat stock options as an expense. I would like to let you know why I am opposed to this action. My reasons have little to do with accounting and more to do with the benefits of stock options, as I see them, for myself and our stockholders. I would like you and your board to consider these points.

- The options that we utilize so successfully here at Cisco are **broad-based stock options**. I think that it is important to recognize that these stock options are being distributed to the vast majority of employees in the company -- not just to top management, or regular management, but to all individual contributing engineers, marketing, and sales personnel. To me, it seems that this whole FASB action is borne out of the "Enron-esque" scandals and subsequent damage to stockholder values. This is hardly the case with **broad-based stock options**. In fact, it is quite the opposite.
- I received stock options when I was hired by Cisco, and I continue to receive more stock options on a somewhat annual basis. The stock options typically vest in five years and will likely be of great monetary value to me five years and out. The options give me great incentive to be productive and produce high quality products. The better that I do, the longer I will be employed by Cisco and thus be in a position to exercise my options. The better I do, then the better will be my continuing allocation of options. The better I do, the better our products become, the more productive that I become, and ultimately the greater value that I produce for our shareholders including, of course, me. The options, therefore, become a great tool by which Cisco can succeed in the marketplace and as a corporation.
- My stock options have the potential to greatly enhance my retirement outlook, put my kids through college, purchase and invest in real estate, contribute to my church and other charitable organizations. I don't "count" on these options to fulfill my retirement needs. I invest faithfully in 401(k) and IRA plans for that purpose. The options simply give me the potential to extend my hopes and dreams for the future.

I will close with a personal example of the power of **broad-based stock options**. Just last week, I received a special, non-annual, distribution of stock options. The options were specifically targeted to a team of engineers who were actively engaged in specific quality improvement efforts on a phone system that we produce. I believe in the quality improvement efforts that I am working on, and the options provide a great incentive to be thorough and effective in my efforts. The goal is a higher quality product, which will enhance our market share and ultimately our stockholder value.

Thanks you,

Steve Barrera
Software Engineer
Cisco Systems, Inc.

5/19/2004