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Letter of Comment No: 1483 File Reference: 1102-100

From:

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Sent:

Thursday, April 22, 2004 10:01 AM

To:

Director - FASB

Cc:

savestockoptions@cisco.com

Subject: File Reference No. 1102-100, addressed to "Chairman Robert H. Herz,". Expensing Employee Stock Options -Cisco Systems

Dear Chairman Herz.

I am an employee of Cisco Systems, located in the Boxboro MA campus, expressing my concern for keeping stock options as they are. In addition to very convincing information provided by Cisco and John Chambers. I have also checked many external resources as well. There is a common theme throughout most discussions around the topic of expensing stock options. That theme is earnings. It is important to us for the company that we work for to do well for many reasons. Stock options and bonuses are more important than ever as salary increases are not a guarantee in today's environment. These are the savings accounts of today's average employee, and need to be there for future use. When a companies earnings are hit, layoffs ensue, wages freeze, and inevitably, the economy takes another hit.

The economy is starting to rebound, and companies need every advantage to add to their bottom-line to ride this wave and start hiring again. Expensing options is a hit to that. With all the talent that is out there, the most talented people will go to the companies that offer them the best incentives. Stock options are a part of that package that attracts skilled engineers and other personnel. It was one of the big reasons why I came aboard here four years ago. The other big reason was company stability. It was a good move for me, as Cisco was strong enough to weather the storm.

An online resource that talks about something I, and a lot of other people, may not have realized can be found at: http://money.cnn.com/2002/07/17/commentary/bottomline/lashinsky/index.htm By Adam Lashinsky, CNN/Money Contributing Columnist.

It discusses not only the hit to a company's bottom line from expensing options, but it talks about dilution. "Options over-hang".

For instance, if all a company's outstanding employee stock options were exercised and sold, the shares outstanding increase, and the value of each previously held share goes down. That can be devastating to any corporation and to the American economy especially if it hits the biggest companies in a short time frame. According to a recent study, Merrill Lynch found that if options were treated as an expense, total earnings for S&P 500 companies would have been 21 percent lower in 2001 than what was reported. Earnings in 2000 would be 8 percent lower. Earnings this year would be 10 percent lower.

I hope that these, and many other reasons for not expensing stock options, are considered carefully by all parties involved.

The timing of this couldn't be more critical.

Thanks, John Murphy