Letter of Comment No:5352

File Reference: 1102-100

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From: Sent:

Thursday, June 24, 2004 2:11 PM

To:

Director - FASB

Cc:

savestockoptions@cisco.com

Subject:

File Reference No. 1102-100

Importance: High

Chairman Robert H. Herz,

I am writing to you today to express my sincere concern regarding FASB's decision to expense stock options. I have been a dedicated employee of Cisco Systems, Inc. for over 6 and a half years and as you can probably imagine I have received a fair amount of stock options in that time. Not only have those options allowed me to feel like I was part owner of, and fully responsible for, Cisco Systems success but it has also enabled me to pay off my college education and do what most people my age find impossible these days and that is to become a home owner in the California Bay Area.

I personally view stock options a couple different ways: 1) They acts as incentive for businesses to acquire and retain the best and brightest minds of today and them to reward those employees in ways that make them feel responsible for the companies success. 2) They allow publicly traded, and private, companies the ability to offer incentives beyond base salary in order to remain competitive with the growing number of global companies in the same business sector. As the economy picks up I see the "start-up" type businesses playing a major factor in the competitive marketplace and without the ability to offer stock as a viable incentive that will be a large barrier for entry into the market.

I believe that the offering of stock options helps companies like Cisco Systems, Inc. remain competitive in today's market. U.S. companies need stock options to compete with other countries on a global basis. (Example: Chinese companies use stock options and they do not treat them as an expense.) With the trend towards cheap labor in developing nations, many American workers are fearing decreasing compensation and outsourcing of labor overseas. Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'. We have seen a steady increase in the economy over the last few months after a period of dramatic downturn over the last few years, I would hate to see that economic growth cut short by the decision of FASB to expense stock options.

Now I admit that I am not an expert in the accounting implications of stock option expense other then what I have read and heard on the news. One thing that I do understand is that the artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity in tech companies like Cisco Systems, Inc.. It is my understanding that stock options do not meet the definition of an expense because they do not use company assets, they are a form of delayed compensation and the tax is paid upon exercise. The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

I ask you to please reconsider the decision to expense stock options. I feel that the ability of Cisco Systems, Inc. to offer stock options has not only given me the opportunity to become financially independent by participating in the housing market as well as the stock market, but it has also allowed me to continue working for a company which I consider to be one of the best and most competitive companies in the world.

Regards, Jeff A. Galisky Cisco Systems, Inc.