

Len Tatore

From: Kevin Thomas [kethomas@cisco.com]
Sent: Wednesday, April 21, 2004 4:02 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Stock Options - Leave them alone.

To whom it may concern;

DO NOT MAKE STOCK OPTIONS AN EXPENSE!!!!

Stock options today help the average Joe in the trenches not to become a millionaire, but to supplement their income to provide for their families (college education, retirement etc.). They provide a motivation to drive a company to success allowing the best of innovation along with high productivity. There is nothing better than seeing your individual contributions taking an impact on your company. Not only an employee but also as a stock holder, the mentality is not just to do your 8 hours and go home, but drives the work force to act as a company owner and do what is right for the company since you are indeed part owner. And as a person buying stock, knowing the company you are investing in has a workforce that is directly tied to the company performance is huge.

This is also a great tool to drive productivity and innovation in today's business environment. It will allow us to attract and maintain the highest level of talent ensuring we remain competitive in this world economy. Losing the ability to award options would surely allow our US competitive edge to erode. Competition is very strong in other countries in the world, it would make recruiting and retaining the best talent in the world very difficult, especially if the other countries are allowed to use this tool. The scale would tip in the wrong direction.

And just a couple of other points:

- 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
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Kevin Thomas
Cisco Systems
Systems Engineer
Global National Channels Operations
CCIE# 1816
Southfield, MI
248-455-1648.office
kethomas@cisco.com

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