

Len Tatore**Letter of Comment No: 1395**
File Reference: 1102-100

From: Dan Borgmeyer [dborgmeyer@cisco.com]
Sent: Wednesday, April 21, 2004 6:02 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Attention: Chairman Robert H. Herz

Dear Mr. Herz,

I am writing you to ask you to reconsider your decision to expense stock options, especially at unrealistically high valuations. I fail to see how stock options can be considered an expense at the time of issuance as they do not deplete company assets until they are exercised. At the time they are exercised, they are accounted for and result in a dilution on EPS, which is an equitable way of treatment both for employees and shareholders.

Stock options are one of the primary reasons for me to join Cisco Systems approximately 3.5 years ago. After spending the majority of my working life in high technology companies that account for major growth in our economy, I needed to better prepare for my retirement. Because I still had at least 6-7 years to work, I knew that I could still benefit from these options. At this time, a significant portion of my post-retirement financial plan is dependent on the options I am able to accumulate in my final years of employment. Although I will not be fully vested in all of these options at the time of my retirement, a significant number of them will be vested. Of the number that are vested and not "under water" I can still reap a significant amount of retirement funding.

So, in my case, I was incited largely by stock options, to take the 35 years of experience I had in the high technology industry to Cisco Systems and apply my knowledge in an innovative manner. For this, I knew I could reap the compensation and benefits I needed to help meet my retirement plans.

Although, the 3.5 years I have spent at Cisco have been tough and the stock price has not increased significantly, I can say that the combined efforts of all employees has kept Cisco from falling into debt and downsizing like many of our counterparts. I attribute this partially to the teamwork and good attitude of Cisco employees, which is driven by the knowledge that we are all part-owners of Cisco.

In closing I ask you again to reconsider the expensing of these stock options. In a country that is experiencing a vast depletion of jobs going to other countries, we need to build strong companies in the U.S. that will stand up to the foreign competition and retain jobs here. Stock option grants are an integral part of building these strong companies. You should not take that away from us today.

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4/22/2004