

Len Tatore

From: George Freeman [gefreema@cisco.com]
Sent: Wednesday, April 21, 2004 7:26 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100 - Save stock options

Letter of Comment No:1322
File Reference: 1102-100

Chairman Robert H. Herz,

File Reference No. 1102-100:

I am an employee of Cisco Systems. I was attracted to Cisco Systems, because it was an opportunity to work with some best minds in the networking industry. Part of our compensation is based on stock options, which allows employees to own part of the company. Since these options do not use company assets, hence they should not be considered as expenses.

The expensing of stock options will adversely affect our ability to continue to perform at our highest level of productivity, because we will be missing the most effective part of our incentives to continue to innovate in the networking and to provide our customers with the best features for their productivity.

It is my understanding that the true cost of a stock option is dilution of earnings per share (EPS). It is already accounted for when we exercise our stock options.

Our industry needs these stock options, because it ties our compensation to the performance of our company. Our productivity will continue to improve as long as we continue to have the opportunity to own part of our company. It also helps to compete against other companies in the global economy.

Other countries use stock options as a means of keeping their best and brightest, who might otherwise leave for greener pastures overseas. This in turn stems the tide of the brain drain.

If the FASB decided to expense the stock options, this could have a dramatic impact on American high tech leadership, innovation and job creation. Given the current state of the economy, there is a need to adhere to the number one rule should be to do no harm to our ability to expand job opportunities for other American workers.

I am respectfully asking that you and other members of Financial Accounting Standards Board (FASB) kindly consider our inputs in your decision process. We need you in our corner so that Cisco and other high technology companies can continue to innovate and increase jobs.

Sincerely,
George Freeman,