

Len Tatore

From: Paul Panzl [ppanzl@cisco.com]
Sent: Wednesday, April 21, 2004 4:24 PM
To: Director - FASB
Subject: File Reference No. 1102-100, addressed to "Chairman Robert H. Herz,"

Dear Chairman Robert H. Herz,

This letter is to inform you of the impact of File Reference No. 1102-100. I would like to express to you the impact stock options have had the life of my family and I.

I started at Cisco ten years ago after having already worked for 9 years in the high tech industry in several Fortune 500 companies with no options from any company up to that point. At first the options simply motivated me to excel with ever increasing productivity. Which allowed me to succeed and acquire more options. Now over that span of time I have been a part of numerous very highly motivated teams that accomplished incredible results under the intense real world pressures of the major networking vendor of our time. I had never up to the point of joining Cisco Systems seen such productivity, team work, and results from any company I had previously worked for. From exercising the options over the years I have paid a tremendous amount of those exercised options in federal, state, and local taxes, secured my children's ability to attend a good university, and invested in other companies. Those exercised options, with my outstanding vested options, will make the transition into retirement a secure one.

As retirement is where this hard working tax payer is headed if these changes to stock options are enacted. I will transition from a person who pays large sums in federal, state, and local taxes each year to a person who lives off tax-exempt federal and state bonds paying little to no taxes. I believe there are enough of this type of successful high tech employees for that loss of tax revenue to ripple through the federal, state, and local economies. The options are what drive and motivate the top talent to remain employed.

I have been fortunate to be a part of a great company, Cisco Systems, in one of the most demanding and rewarding times in the history of networking industry. Not all are in my position. I know of others who use the money from options to get out of debt, to buy their first homes, to get needed medical attention, to help ailing loved ones. The options are not the problem. The problem is the people who misuse their position, influence, and power to corrupt and distort corporations to their own illegal gain. Those are the people that cause the problems. Don't burn down the apple orchard to eliminate a few bad apples. The changes to options you and the FASB organization are proposing would clearly devastate the high tech industry from the american economic landscape.

I would also like to re-iterate the issues my company's executives have put forth to you and the FASB organization:

Accounting Issues:

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
- The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for

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when options are exercised.

Competition:

- U.S. companies need stock options to compete with other countries on a global basis.
- 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'.

Sincerely,

Paul Panzl
Cisco Systems
Technical Leader