

Len Tatore

From: Ed Aussem (eaussem) [eaussem@cisco.com]
Sent: Wednesday, April 21, 2004 8:25 PM
To: Director - FASB
Subject: Stock Option Accounting Reform Act of 2003 (S. 1890 and H.R. 3574)

April 21, 2004

Chairman Robert H. Herz

Re: File Reference No. 1102-100

I'm writing to request sponsorship of the Stock Option Accounting Reform Act of 2003 (S. 1890 and H.R. 3574). Your support of this legislation will protect broad-based stock option plans, while addressing the accounting for options granted to senior corporate executives in response to concerns over executive compensation.

I have witnessed first hand the impact of employee ownership. Working for Cisco over the last 7 years has been a stark contrast to my previous experience working for AT&T for 18 years. At Cisco, employees really care and the culture empowers us to speak up when we feel something is not right. Being an owner provides all the employees of Cisco the feeling of caring and ownership that makes the difference. At AT&T, most employees (except for officers and directors), did not share in the ownership of the company. The difference was stark. As you've probably heard, it's like the difference between renting and owning your home. When all employees share in the success or failure of an enterprise, it's much easier to "pull in the same direction".

Some facts to consider as you make this decision:

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.

This legislation will assist in keeping this great country competitive and is a better alternative to the expensing of all employee stock options. I hope you will support this bill.

Sincerely,

Edward S. Aussem, Jr.

4/22/2004