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Letter of Comment No: 812 File Reference: 1102-100

From: Phil Otten (potten) [potten@cisco.com]

Sent: Tuesday, April 20, 2004 4:36 PM

To: Director - FASB

Subject: Expensing Stock Options - File Reference No. 1102-100

To: Robert H. Herz Chairman, FASB

Subject: Expensing Stock Options, File Reference Number 1102-100

Mr. Herz:

As a relatively new employee in the high-technology industry (4-years), I am writing you regarding the pending FASB released draft plan stating that they intend to treat stock options as an expense. I urge the FASB not to require the expensing of stock options, especially at an unrealistically high valuation that is pending.

After working in the printing industry for 15 years and then entering the high tech industry 4 years ago, I have come to truly appreciate the value of receiving stock options as part of my compensation program. Stock options have aligned my pay and incentives with that of all shareholders, with that of senior executives and with my own family objectives. Stock options have provided me with an incentive to be loyal to the growth and goals of these companies, and that of the US technology industry. At Cisco Systems, stock options are granted to all full-time employees and the majority of shares are granted to non-executives — again, to align all employee incentives with that of the corporate goals and to drive overall shareholder value. Previous stock options that have been granted to me have been used to assist my family in meeting our financial goals including the purchase of a new home.

With this proposed treatment of stock options, I can envision a day when the US technology does not attract or retain the best and brightest employees and is less driven by innovation and productivity. I urge you and other decision makers to not treat stock options as an expense.

Thank you for your attention.

Very best regards,

Phil Otten Cisco Systems, Inc.