

Stacey Sutay

Letter of Comment No: 298
File Reference: 1102-100

From: Georgia Sallows [sallows@cisco.com]
Sent: Monday, April 19, 2004 6:55 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100 - Employee Stock Options

Importance: High

Chairman Robert H. Herz:

I'm sending this message to urge you NOT to require U.S. companies to expense stock options. We need to be able to compete with countries who do offer stock options where they are not expensed, i.e., China.

I'm an employee of Cisco Systems, Inc. and have been very grateful for the stock options I received both in signing on with the company and as incentives during the 12 years I've been with the company. I can tell you that having options which I would eventually exercise encouraged me to step up the pace in ensuring my company was successful. There was never a thought of waiting until tomorrow or next week because I knew that if my efforts were multiplied we could make a difference at our company and thus reap some of those rewards for stepping up, and I think you'll have to agree we, at Cisco Systems, Inc., have made a difference. I've worked for lots of companies and received stock options before and I know that this incentive has been the most encouraging method of employee involvement. We could say "we're doing this for ourselves and our families when we sell". If we don't have that ability our drive may not be as focused because there is no other way to offer such opportunities especially in today's challenging business environment. I am pleased to say that Cisco stock paid for my daughter's undergraduate and masters degrees without either of us having to take out any loan thereby leaving money available for others who weren't so fortunate.

I can tell you that as a shareholder I'm very concerned with how we spend money at our company and how we make internal improvements to increase our productivity and "help the stock grow". This type of attention cannot be replaced.

The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. I must add that some stock will never be exercised (such as that issued for higher prices in the boom time) and I think this could end up looking like a tax to companies and thus their employees.

Thank you for listening and I know you'll make sure the right thing is done so that companies can continue to offer stock options without being penalized.

Georgia Sallows
CA US Theater Service Sales
Cisco Systems, Inc.