

Stacey Sutay

From: Larry Engel (lengel) [lengel@cisco.com]
Sent: Monday, April 19, 2004 11:53 PM
To: Director - FASB
Cc: savestockoptions@cisco.com; lengel@cisco.com
Subject: File Reference No. 1102-100,

Dear Chairman Robert H. Herz,

I am sending this email to request you allow Cisco to retain their Stock Option plan "as is". I would like to explain why I left a company I worked at for 12 years that I felt was not innovative and did not offer a good stock option program.

As stated above, I worked at NCR Corp for over 12 years. The last 4 years, I took a dozen or so Cisco courses, supported Cisco networking products from a Pre-Sales, Design, Professional Services and held a PMO Manager position here at Cisco in SanJose. I risked not have a job, for a short time, by leaving NCR and interviewing with Cisco in 1999. There were several reasons I wanted to work at Cisco, but the **MAIN** reason was their great Stock Option program. Even though the economy was in the process of declining and I knew my stock options at ~ \$56 would take awhile to be worth something to myself and my family, I knew I wanted to work at Cisco, even though my pay remained the same, or was actually lower if you figure in the move package I had with NCR.

I saw Cisco as a solid company, was innovative and provided employees with incentives above and beyond my prior employer. Stock options was something I wanted to have as sort of a savings plan. I feel that I am a very hard worker and go above and beyond what is expected of me. I believe Cisco hires hard working, smart, top 10% employees in the country and I wanted to be part of it. As long as I work hard and retain Cisco's philosophy, as I believe most Cisco employees do to provide great quality products and services, I knew I would be rewarded with Stock Options that would someday help me get my kids to college, maybe pay off my home before I retire, etc. So, even though I have not received a pay increase in ~ 5 years, moved out here to a high cost area (California) from South Carolina for a mere 5% increase with NCR, I am happy to work at such a great innovative company, and again...one of the main reasons is that I believe my main reward is STOCK OPTIONS.

Some accounting issues to consider:

- As a Cisco employee, I am concerned that the artificially high valuation for a stock option required by FASB might eliminate stock options as a tool which has driven innovation and productivity.
- I believe 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.

Competition:

- U.S. companies needs stock options to compete with other countries on a global basis. (Example: Chinese companies use stock options and they do not treat them as an expense.)
- 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'.

Please do not do anything to our stock option program that might cause its elimination !! I am concerned, not only for my and Cisco's future to retain high level, innovative employees without our current Stock option program, but that a change in our current program might force more jobs to leave America due to the high cost of retaining employees here. Stock options remain a great incentive to work for one of "the best" companies in the world. If you take it away, you will effect the way we live, work and play in the USA, and ultimately our children's futures ahead of them (by the way, my kids are ages 10 and 12 and I would like them to have some of the same opportunities I've worked so hard for in the future that awaits them!)

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