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Letter of Comment No: 5/7
File Reference: 1102-100

From: Ted Kezios [tkezios@cisco.com]

Sent: Tuesday, April 20, 2004 11:19 AM

To: Director - FASB

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

Dear Chairman Robert H. Herz,

I am writing to you to express my request that FASB not expense stock options, especially at an unrealistically high valuation.

I have been a Cisco Systems employee for 4 years. Part of my motivation to come to Cisco after spending years at a healthcare company was the career opportunity this great company offers, the great culture, and the true sense of company ownership that is embedded in that great culture. I have been given great opportunities for advancement and a large part of my motivation comes from the reward structure here at Cisco. I am motivated on a daily basis knowing that my hard work, hence productivity for the company, is rewarded through short term comp and benefits but more importantly, the long term gratification that comes from being an owner in the company through stock options.

Quite frequently, I compare myself to my wife's situation, also a high tech company employee; however, her company does not provide stock options to all employees on a regular basis. I know my wife quite well and know for a fact that she does not feel a part of her company success in any sense of the phrase, unlike myself and many other employees here at Cisco. The main reason is our culture here at Cisco and true ownership in the company in an active fashion.

Another main reason for this email is to point out some main facts regarding stock options:

- 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.
- 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'.

I urge you please not expense options. I do feel it will have a harmful effect on U.S. productivity as well as foster unwarranted competition on American companies.

Regards, Ted Kezios