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Letter of Comment No: 2032
File Reference: 1102-100

From: John Pellizzari [pellizzari@cisco.com]
Sent: Tuesday, April 27, 2004 10:43 AM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100

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Dear Chairman Herz,

The high tech industry and I personally have benefited greatly from broad-based employee stock option programs which distribute stock options to all levels of employees in an organization. My employer, Cisco Systems, Inc. has built a strong company with committed workforce partially based on its intelligent, transparent and fair-minded distribution of stock options as incentives. Employees at Cisco approach their jobs as owners and know that their efforts to improve the company's performance will enhance the value of their stake in the company as well as that of millions of other shareholders. Cisco is a great example of the power of stock options. Eighty percent (80%) of the stock options distributed by the company are distributed to first/second line managers and individual contributor employees. This type of distribution would not be feasible if stock options were to be treated as an expense.

A strong example of how creating employee-owners through the distribution of stock options has benefited Cisco shareholders is that even with the recent downturn, a dollar invested in Cisco stock in January of 1995 is worth $11 today. This is a phenomenal rate of return based on the company's great performance fueled by employees with a strong sense of ownership in the company.

Please consider the significance of broad-based employee stock option programs. They not only allow U.S. companies to compete with other countries on a global basis, but also have a dramatic impact on American high tech leadership, innovation, and job creation. Equally important for our economy, broad-based employee stock option programs increase the morale of the workforce.

Thank you for your time.

Sincerely,

John Pellizzari
Cisco Systems