Letter of Comment No: 1944

File Reference: 1102-100

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From:

William Amerman [wamerman@cisco.com]

Sent:

Monday, April 26, 2004 11:38 AM

To:

Director - FASB

Subject: to: Chairman Robert H. Herz

File Reference No. 1102-100

Dear Mr. Herz,

As an American citizen, and as an employee of Cisco systems, I am concerned over recent decisions made by the FASB to treat broad-based employee stock options as a DOUBLE expense to companies who issue them.

Under current proposals, not only would the true and proper expense of stock options be accounted for—in the dilution of outstanding shares and EPS, but also a "cash" expense would be incurred, when there is no actual cash expense.

To my family and me, even though stock options are not a means to get rich quick, they do play a large part in my retirement planning. Options are the perfect employee incentive at a public company, in my opinion. The quality of the job I do for my company is directly tied to the value I provide for our shareholders. If my colleagues and I do our jobs like we did in 2000 and 2001, causing Cisco to write off \$2 billion in excess inventory, our stock price should drop and our broad-based options should be (and are!) worthless.

However, if through my colleague's and my actions we are able to gain market share and add value for our shareholders, our options should be worth an amount commiserate with this gain. By requiring double expensing of options, this feedback loop will be broken and though I won't work any less hard to provide value to our shareholders, I will probably be on even more late night conference calls to India as our leadership rightly adds headcount in low cost countries around the world to offset the loss of this wonderful compensation tool.

Thank you for your consideration.

Regards, William Amerman

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