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Letter of Comment No: 739
File Reference: 1102-100

From: Andrew Rodwin [arodwin@cisco.com]
Sent: Tuesday, April 20, 2004 3:30 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz,

I'd like to express my opinion on the expensing of employee stock options. In my view, this accounting rule should not be imposed, and if it must be imposed the valuations of expensed options should not be unrealistically high.

Employee stock options are a significant motivator for me, and the 50+ people in my organization. There is no question in my mind that employees, motivated by the prospect of appreciating options, create value for all shareholders by working much harder than they would work otherwise. Additionally, as a manager, I am quite certain that we are able to reduce attrition by offering options, and this increases our productivity and competitiveness, as well as shareholder value.

In my own case, the extra income I derive from stock options is enabling me to save for my children's college education at a rate that I otherwise could not afford. With the extraordinary increase in tuitions, I am not sure how middle class families without stock options will be able to afford college educations for their children.

I have worked at Cisco Systems for nearly five years, and during this time, I have noticed that global competition has increased dramatically. For us to compete fairly with Chinese companies like Hauwei, we need a level playing field, one in which we are not encumbered by regulations that do not encumber our competitors.

Since high tech is one of the real power-houses of the American economy, my view is that as a nation, we ought to avoid doing anything that might weaken our leadership in this area. I can extrapolate from my own experience that if companies cannot afford to liberally distribute options at all levels, the net effect of reducing the motivation of millions of high tech employees would not be good for our economy.

Regards,
Andrew Rodwin
Director of Engineering
Cisco Systems, Inc.