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Letter of Comment No: 3375
File Reference: 1102-100

From: Debbie Gale [dgale@cisco.com]
Sent: Thursday, June 10, 2004 11:45 AM
To: Director - FASB
Subject: File Reference No. 1102-100 - Stock Options

Dear Chairman Herz,

I am writing you today to urge you not act to expense stock options.

I have worked for Cisco for a little over 4 years and currently have stock options that I am counting on to help me with retirement and I hope to continue to receive them over the next several years. I save as much as I can with our 401K plan but being 43, I am worried that there will be no Social Security available to me when I may need it. My current and future stock options should help me to live comfortably during retirement, with or without Social Security. If you chose to expense stock options, Cisco may have to re-evaluate their current options policy and I may not receive the number of options that I have in the past, potentially impacting my ability to live comfortably in retirement.

I would like to remind you that from an accounting stand point:

- 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.

I started working in the high tech fields in order to get higher salaries and stock options. I have been blessed to maintain a job in these economic times. Many of my friends in this same field have lost their jobs and have had to live off savings and exercise able stock options while they wait for the economy to recover. If there is another economic downturn, think of the consequences if you have potentially taken away the stock options that have assisted so many in this last downturn.

If you begin to expense stock options companies like Cisco will have to think twice about providing them to employees and how will they be able to incent new recruits and retain the American technical leadership they already have. We are already losing jobs overseas in many areas, please don't make innovation one of them, let Cisco and other high tech companies offer stock options as part of the incentive for working in high tech to keep our technology innovation the best in the world. In today's economic environment, the number one rule should be 'first, do no harm'.

Thanks for your attention to this matter.

Sincerely,

Debbie Gale

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