Letter of Comment No:949
File Reference: 1102-100

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From: Joe Keller (jokeller) [jokeller@cisco.com]

Sent: Tuesday, April 20, 2004 1:38 PM

To: Director - FASB

Subject: File Reference No. 1102-100 Vote NO! To expensing stock options.

Dear Chairman Robert H. Herz;

File Reference No. 1102-100

My name is Joe Keller, I currently work for Cisco Systems, Inc. Headquartered in San Jose CA. I live in Monmouth Beach, NJ.

Stock Options have changed my life financially. I urge you NOT to expense stock options.

Late last month, the Financial Accounting Standards Board (FASB) released a draft plan stating that they intend to treat stock options as an expense. The valuation they propose would make it very difficult for Cisco Systems to continue broad-based employee stock option programs that I have been participating in for over eight years. Stock options are a productive and powerful part of the compensation I work so hard for, dedicating many hours to achieve the goals defined by Cisco Management.

I stress to you that stock options have been a critical component of compensation for my current career and the jobs I have held since 1987. Through stock options I have been rewarded for my hard work and dedication by several companies whose success I contributed to. I believe options bring focus and productivity in alignment with shareholders' interests. Stock options have enabled me to provide a better life for my family. I am encouraged that I can afford to send my three children to college and assist them to be better citizens through the compensation I receive from stock options.

Some practical information to consider through my own experience from the monies I have received from Cisco Stock Options; In early 2000 my wife and I decided to add an extension to our home. I sold options that were fully vested and worth 25 times more than what I paid for them after five years with the company. We were able to complete the project with additional money borrowed from an equity line. I paid income taxes on the options. I paid interest on the loan. I contributed to the local economy for a project that improved our lives and added to the tax base of my town and to the state of New Jersey. For me and my family it's part of the "American Dream". For the country it's part of the economy and financial well-being of it's citizens.

Other considerations for companies to deal with are the accounting and compensation issues;

The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity. 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 ned 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.) Also, 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'.

Thank you for your consideration on this extremely important issue.

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