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Sent: Tuesday, April 20, 2004 2:37 PM

To: Director - FASB

Cc: savestockoptions@cisco.com Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz - as a 6+ year Cisco employee, I have appreciated the fairness with which Cisco distributes employee stock options and the motivation they provide to the workforce here. Notwithstanding the slide in many of our options over the last 3 years, "owning", that is, having a stake in the company, does provide for a slightly altered attitude - much to the positive. Moreover, while in sales we are mostly compensated well for our success in "selling", stock options really motivate those in engineering and corporate to overachieve.

Cisco would hardly be as "productive" a company without stock options - in my opinion. And, as I understand it - considering that over half my stock options are "under water", had Cisco taken an expense charge for these, the accounting would still not be correct so - I think the proposal under consideration is much flawed.

## As we see it:

- 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.

Please take into consideration the above, and continue to allow a motivational and competitive element to the culture here at Cisco

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