Stacey Sutay

Letter of Comment No: 299
File Reference: 1102-100

From: Clay Bogott [cbogott@cisco.com]

Sent: Monday, April 19, 2004 6:56 PM

To: Director - FASB

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

To: Chairman Robert H. Herz

Re: File Reference No. 1102-100

Dear Mr. Herz:

The following Email is regarding the Financial Accounting Standards Board (FASB) recently released draft plan stating that they intend to treat stock options as an expense. I can not tell you strongly enough why I think this action is wrong for the United States as well as for me personally.

I think this action is a dramatic over reaction to the recent scandals around corporate governance. Why punish a practice that makes sense for entire industries due to the bad actions of a few. The Enron and MCI scenarios that created much of the "awareness" of corporate greed have no connections to utilizing stock options as a tool to motivate, compensate and provide a sense of ownership that stock options provide. While I agree there may be scenarios where executive leadership teams have abused stock options, I firmly believe that the benefits of this practice strongly out weigh any negative abuses they may create.

The practice of expensing options will create inaccuracies around earnings and financials in that the expensed option up front at the time of a grant does not accurately reflect the actual expense when exercised. I have been a Cisco employee for almost 7 years and I very much value my stock options. I wake up everyday as an employee and a major shareholder and make an enthusiastic and sincere effort to improve Cisco as a company. I had worked at 4 other communications companies prior to becoming a Cisco employee and never have I been as motivated to see the company succeed as I am here. I am an individual contributor and the options I have received give me a sense of pride in the company and truly motivate me to do a great job for my customers. I can not think of a more valuable tool for shareholder value than the proper use of employee stock options.

Other significant factors that I strongly believe affect options and why we should not expense them are.

Accounting 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.

Competition:

- U.S. companies needs 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.)
- 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'.

Please do not hamper innovation and productivity any more by eliminating stock options as a tool to employ and retain a quality workforce. This action in my mind will dramatically affect a companies ability to do this if stock options are required to be expensed.

Sincerely,

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