

Letter of Comment No: 304
File Reference: 1102-100

Stacey Sutay

From: dhanson [dhanson@cisco.com]
Sent: Monday, April 19, 2004 9:19 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz,

I am writing to ask you to reconsider FASB's plan to treat stock options as an expense. I believe that this would be contrary to the interests of both shareholders and employees. I believe that this would adversely affect the competitiveness of the U.S. technology businesses. If removed, these options would likely be given to a select few senior managers. This would fundamentally change the character and values that my company has been based on. The high valuation of stock options will eliminate stock options as a key incentive within Cisco and a driver of frugality and productivity. Many talented and dedicated employees will leave as a result to pursue the American dream of ownership.

Having worked at companies that offer stock ownerships and those that do not, I can tell you that stock options are a powerful incentive and strongly align employees to shareholder interests as they, themselves, are shareholders. As an employee as a former employee at Wang Laboratories in the late 1980's, I devoted myself to the survival of my company, in part in hopes of salvaging the value of my stock options. Ultimately, however these options become worthless as the company slid into bankruptcy.

Today, many employees at Cisco who joined in the last four years have stock options that are mostly "underwater" and many will leave without having exercised them. For most of these employees, the opportunity to gain part ownership was a powerful incentive to join and a equally powerful incentive to stay.

In China, where I am based, Cisco is competing against very strong domestic competition. Strongly outnumbered by our largest domestic competitor, our Chinese employees are among the most dedicated and skilled in China and are winning against formidable odds. However, if FASB implements it's plan, domestic competitors, which use stock options and don't treat them as expenses, may seize on opportunity to raid our employees. This could have a strongly adverse affect on my company's competitiveness and the competitiveness of our industry in the U.S.

For all the reasons above, I ask you to reconsider. Thank you.

Regards,

David Hanson

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