

From: Castro, Hollie [hcastro@cisco.com]
Sent: Tuesday, May 11, 2004 7:53 PM
To: Director - FASB
Subject: Employee stock options

I want to ask you to consider the negative effect of your proposal to expense stock options. Employee ownership is a phenomenal way to increase productivity and to connect the employee to the real results of the company, which is clearly in the best interests of all shareowners. Those companies which use stock options broadly have been shown to provide excellent shareholder return over the long term, which is when shareholder return can really be assessed. Expensing stock options makes the practice of wider use of ownership within a company extremely difficult and confusing to shareholders when comparing results with those companies who do not use stock options outside the executive ranks.

I urge you to consider the fact that the past action taken by FASB to require a charge for retiree health has resulted in widespread reduction and cancellation of retiree medical programs. While on the face of it this may appear to help shareholders, in fact, the burden for retiree medical has simply shifted to the public taxpayer via Medicare and other social support programs. Since many of the shareholders in this country are pension funds and retirees, I suggest that this action hurt them more than it helped.

Expensing stock options will have the effect of reducing employee share ownership and the benefits that this practice brings in terms of productivity and alignment with shareholder interests. In addition, for many companies, stock options are an alternative to more traditional defined benefit pension plans, which add significant cost to the corporation, irrespective of performance.

From a personal perspective I feel that stock options have motivated me to go the extra mile to make Cisco Systems a phenomenal company. They have changed the lives of everyone who I work with in a very positive way. We are all rowing the boat and we all own the company. They inspire a sense of accountability that make everyone spend the company dollar with the same thoughtfulness that they would spend their own money. This move will jeopardize a behavior of personal ownership.

On behalf of my family and friends I ask you to consider the effect of your proposal on the real people who it affects.