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From: Ray Van Natta [rvannatt@cisco.com] Sent: Tuesday, May 11, 2004 2:16 PM

Director - FASB To:

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File Reference No. 1102-100 - Chairman Robert H. Herz Subject:

Chairman Herz,

I have been closely watching the discussions on expensing employee stock options and would like to add a few comments from an employee/recipient perspective.

I am currently employed by Cisco Systems. This is the first company I have worked for in over 25 years that actually has a stock option plan for participation of all levels of the company. This plan allows all employees the opportunity to share in the company's performance, something many were actually able to do as they used their options to purchase personal assets or homes that they normally would not have been able to afford. For many this included early retirement, an opportunity not available at most companies.

A benefit of this "shared" opportunity was an incredible focus by all employees on doing what was necessary to get the job done correctly and to develop innovative processes and products. There was little jockeying for position as all were focused on making the most of their efforts since all were well rewarded via their options as the company continued to grow. There were no "clock watchers".

This was a wonderful experience to watch and to be able to participate in. Additionally, Cisco has given me the ability to participate in a large turn around through their stock option program should there be one. The possibility of an "extra" award should we be successful in our efforts helps to motivate me as I know there is more than a pay check involved.

No other company in my career has done this, instead the old way of rewarding a few at the top while "just" compensating the majority was the norm. While the personnel I worked with in these organizations were personally motivated to perform well, there were more limits on their level of involvement and "quality of life" was a much bigger issue. This worked to reduce overall employee efficiency and motivation to levels below what I have experienced at Cisco.

Expensing stock options, especially with the proposed valuation method would make it very difficult for many companies to continue broad-based employee stock option programs. This is especially important now as many of our technical companies face stiff competition from over-seas. Losing this extra incentive would remove the motivation for many to truly excel, with the focus shifting to positioning one's self in the company. Should this additional motivation be removed from those actually doing the work in these fields, I fear that this would contribute to a reduction in the advantage the United States has built in "high technology", especially reducing the ability of large company's to sustain critical mass of highly qualified personnel.

Thank you for your time. I hope I have been able to add some additional points of interest for discussion on expensing options and that some additional consideration will be given to this issue. I appreciate that the FASB is looking to protect a company's investors, but taking away opportunity, as in an employee's ability to participate in the success of a company is a high price, and I believe the long term costs are likely to exceed the expected benefits.