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Letter of Comment No:1023
File Reference: 1102-100

From: Gary Mccavitt [gmccavit@cisco.com]
Sent: Tuesday, April 20, 2004 12:54 PM
To: Director - FASB
Subject: File Reference No. 1102-100

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

Dear Chairman Herz:

With the proposed plan last month from FASB to expense stock options, I am compelled to write you and voice my concern regarding this potentially dangerous proposal.

My position on expensing stock options is simple, I'm opposed, and frankly outraged that the Financial Accounting Standards Boards would suggest destroying one of the true final bastions of employee compensation. Especially for High Tech workers in Silicon Valley.

The cost of living in California continues to skyrocket, and without stock options the robust economic rebound in this valley, would be doomed. The median cost of a home in Santa Clara County is now \$564,000, an increase of nearly 20% a year ago. Without stock options many high tech workers would be unable to purchase a home for their families. In many cases, including my own, stock options made home ownership possible.

Stock option ownership by employees empowers us to work harder, and achieve stretch goals. This affects Cisco Systems' productivity and revenue goals. As a manager of people, I know that stock ownership is extremely valued and meaningful.

Each year when the options are granted the ceremonious gesture of handing letters to the individuals my team, is extremely rewarding and satisfying to both parties. We earn these grants. These options, for young workers, have enabled them to take vacations, make investments, buy homes for their families, see to good quality educations for their young families, and basically live the American dream. Taking options away destroys that dream and is unfair.

My own parents and many of my family members are shareholders of Cisco stock. They believe in the company because they believe in me. I take great pride in working for this company. I have spoken to many individual share holders and have never once gotten feedback that stock options granted to employees was contrary to shareholder interests, and in fact, the responses I've gotten were just the opposite. Shareholders know that through company stock option grants, employees do produce more, work harder, and have a greater sense of ownership and responsibility to do the right thing for the company, as opposed to those companies that do not offer stock options. And that is good for shareholders.

Again, and because of all I've stated herein, I urge you NOT to require companies like Cisco Systems to expense stock options especially at unrealistically high valuations as the current FASB proposal does.

Regards,

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4/20/2004