ikon

From: David McCaleb [dmccaleb@cisco.com]

Sent: Tuesday, April 20, 2004 1:19 PM

To: Director - FASB

Cc: savestockoptions@cisco.com

Subject: File Reference No. 1102-100

File Reference No. 1102-100

Chairman Robert H. Herz,

Please do not force companies to expense all stock options. The Financial Accounting Standards Board (FASB)'s draft plan has not taken into consideration the importance of stock options to rank-and-file employees like myself. While the problem of overcompensation of a few very high-level executives should be addressed, it should not be done in such a drastic manner that effects the culture of employee ownership. This sense of ownership is hard, if not impossible, to achieve any other way and is good for stock holders, employees, businesses, and consumers alike.

Letter of Comment No: 928 File Reference: 1102-100

I've had many jobs in the tech industry, but when I arrived at Cisco Systems in 1999 I immediately noticed a difference in the employee culture. Employees were driven to succeed. Employees believed in their company. Employees were innovative. And employees worked as if they had a personal stake in the outcome of their decisions. It was refreshing to become a part of such a large work force motivated by a sense of ownership.

It is now four years later and I have experienced first hand what a difference stock options can make as a motivating factor to employees at all levels. It has made a huge difference to me, personally, in the way that I approach my work. I regard each decision I make as a decision I am making on the part of my fellow employees, my customers, and my shareholders. For the first time in my career I am a part of all three stakeholder groups.

Consider the inaccuracy of expensing in the first place. The true cost of a stock option is already accounted for when options are exercised by diluting the earnings per share. But the benefit of granting options to shareholders is that of increased worker productivity.

The expensing of stock options to rank and file employees will likely mean an end to the practice of granting options. And this will likely have a profound negative effect on job satisfaction, employee productivity, and ultimately shareholder value.

I encourage you to use moderation in any decision you make. Do not expense stock options for rank-and-file employees.

Sincerely, David McCaleb

David McCaleb - Web Program/Project Manager Internet Learning Solutions Group - Cisco Systems

"Nine-tenths of wisdom consists in being wise in time."

-Theodore Roosevelt