Letter of Comment No:774
File Reference: 1102-100

ikon From:

David Leigh (dleigh) [dleigh@cisco.com]

Sent: Tuesday, April 20, 2004 9:27 PM

To: Director - FASB

Subject: My Opinion on Stock Options, File Reference No. 1102-100

Hello Mr. Chairman,

I am writing because of my concern about the stock options expensing issue, and would like to give you my perspective on this issue.

I am not an example of someone who "got rich" from stock options. I am a staff-level employee who joined Cisco Systems four years ago, just as the company stock was reaching its all-time high. As the economy slowed and the stock market dropped, I saw the value of my stock options drop as well. But throughout the recession, Cisco did not abandon its commitment to employee ownership, and continued granting new options to me and my colleagues. In the past year, with the rise of Cisco's stock, "newer" employees like me are seeing positive vested value in their options for the first time. This was possible only because 1) Cisco as a company was committed to long-term success and restored profitability, and 2) Cisco continued to grant employees new stock options, which increased in value as the company turned around.

Perhaps the most destructive force in any company is short-sightedness. I'm speaking of people who aren't pursuing the company's long-term success, but instead seek to exploit opportunities for individual short-term gain, to the detriment of the company overall. There are well-known examples of this, such as executives dumping their stock just before some negative company announcement, leaving the stockholders "holding the bag"; employees abusing company resources entrusted to them; employees taking kickbacks or other payoffs... not to mention outright embezzlement.

I understand investors' need for greater accountability by the companies they own shares in. We don't want a repeat of the scandals of recent years. I can't claim that broad-based stock options will ensure ethical corporate conduct. But neither can anyone claim that stock option expensing would prevent corporate misconduct. Corporate culture plays a large part in that, and to be frank, if other companies had the kind of culture and employee commitment present at Cisco, we would have far fewer such scandals.

Along with its customers, a company's most important asset is its employees, and in my experience, stock options drive employees to be strongly committed to their company's success, which drives growth and profitability, and ultimately, value to the shareholders. I strongly feel that any benefit from expensing stock options will be offset by the negative effect of reduced employee ownership.

The vast majority of my colleagues at Cisco are not millionaires, but ordinary people with an exceptional commitment to their jobs and to the company's long-term success. The fact that we are all part owners of the company pushes us to look beyond the next paycheck and keep the company's future in mind, very much like a long-term investor. I ask that you please consider the true intent of the stock options expensing reform, in the light of the impact it will actually have on companies such as Cisco Systems, its stockholders, and employees like me.

respectfully.

David Leigh Technical Leader, Market-to-Sell Information Technology Cisco Systems, Inc. 300 East Tasman Dr. San Jose, CA 95134 (408) 525-1432