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From: Dan Graves (dangrave) [dangrave@cisco.com]

Sent: Wednesday, April 21, 2004 3:21 PM

To: Director - FASB

Cc: savestockoptions@cisco.com

Subject: File Reference No. 1102-100 - Expensing of Stock Options

Dear Chairman Robert H. Herz:

I wanted to take a moment to address the proposed changes to the FASB rules regarding the expensing of stock options. I have been an employee of Cisco Systems for 3.5 years, and find the options I have obtained since my employment very valuable. I have yet to realize any real fiscal gain or return on these options, however they are a strong motivation for myself and my colleagues. The primary motivation for me is the reward I receive when I do a good job for my company. This reward in turn provides me with a small piece of ownership of the company. This small portion of ownership in my company ensures that I always act in the best interest of Cisco, and allows me to remain a highly motivated employee. It is similar to me taking care of the neighborhood I live in because I own a house in that neighborhood. I have witnessed in other functional areas of Cisco, especially engineering, options provided to those that innovate and create new and better products keeps us a highly competitive organization better able to provide better solutions and subsequently more value to our customers.

Letter of Comment No: 1284

File Reference: 1102-100

I feel that the changes to the FASB rule will artificially valuate stock options which drive innovation and productivity. Further, stock options do not meet the definition of an expense because they do not use company assets and the true cost of a stock option is the dilution of earnings per share and that is accounted for when options are exercised. From a competitive standpoint, Cisco's ability to reward us to keep us productive and innovative can only help us compete on a global basis as other countries such as China do not treat stock options as an expense. Expensing stock options could have a dramatic impact on American high tech leadership, innovation, and job creation, and will have a negative impact on our ability to compete on a global basis.

Thank you for the ability to address the proposed changes.

Sincerely,

Dan Graves Account Manager Cisco Systems 469-420-4828 office 214-914-6378 mobile dangrave@cisco.com