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Letter of Comment No: 1273
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From: Myk Caruana [myk@cisco.com]
Sent: Wednesday, April 21, 2004 2:41 PM
To: Director - FASB; savestockoptions@cisco.com; myk@cisco.com
Subject: Please forward to Chairman Robert H. Herz Options and me.

Hi Mr Herz,

I am writing to throw my \$02 worth into the mix.
Please note the following points I feel should be considered when making this decision.

- This will eliminate stock options as a tool that I feel has drive both productivity and company growth through innovation.

Stock options give me a stake in the company meaning that I am rewarded for extra work over evenings and weekends as well as an incentive to improve productivity through innovation. If I have an idea and I make it into a program that saves time and allows me to do other things it also benefits me as my stake in the company through stock options is more valuable. Without stock options there is no real incentive to do this and the old idea of job security is the prime focus. Just for kicks consider that I have wrote programs that have automated the jobs of at least 4 people over the last 6 years who have quit, been laid off or fired.

The fact that I had stocks made it important to me to make these automated processes work and work extra to make it happen. I don't think that if I had NO stake in the company I would really care if those 4 other folks had to be rehired as I would not see a penny of those savings. Maybe my manager would, but not me. Through stock I know that I share in the reward. Seems like the options I received are more than offset by the productivity I absorbed through working extra and automating those scripts. I don't get overtime. Stocks are my reward.

- I thought that only company assets could be expensed. Maybe I am wrong but I fail to see how stocks are a company asset.

I was always under the impression that an asset was directly involved with the company value. I thought that the stock price was based on those assets in conjunction with earnings. How can stock prices be based on stock.

It's like a pointer pointing to itself. It can't accomplish its mission.

- I thought the true cost of options was already calculated through dilution of those options which happens upon exercising them.

It seems that expensing options would be a double hit as the implied lower revenue would over and above dilution further punish the company for rewarding hard work and innovation.

- If other companies in other countries can still expense stock options American companies would be disadvantaged in competition with those other companies.
- As outlined in my first point by impacting my incentives to increase productivity by sharing in those benefits with the company and then extrapolate that over 40,000 Cisco employees and I think you'll start to see how our competitive position against other networking companies from other countries would suffer.

Please consider these points when making your decision on stock options. Thank you for your time.

Cheers
=myk

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