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From: Marty Palka [mpalka@cisco.com]
Sent: Friday, April 23, 2004 5:20 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Stock Options

Dear Chairman Robert H. Herz,

My name is Martin A. Palka. I'm Chief Intelligence Analyst (CIA), Investor Relations, at Cisco Systems. I came to work at Cisco Systems in June 1995, because of the potential reward offered to me by stock option appreciation.

Perhaps we share some common goals:

- 1) All investors to better understand the implications of offering stock options to employees like myself;
- 2) Reward those companies with the best corporate governance, social responsibility, transparency, pay for performance;
- 3) Drive accounting and finance standards to make the above happen.

On a more personal level, I'm almost 48 years old, and have a wonderful partner in my wife Sarah. We have a nearly six year old son, Nicky, who is a bundle of joy, having my wife's good looks, brains, sparkling personality and my....uh, hmmm, let me get back to you on that one :>)!

Like you as well, I work long hours. Arriving at work before 5:30 A.M, and working 60+ very long hours week to produce results which will have a positive impact. In many ways, our hours are no different than that of any owner of a small business like a dry cleaner, restaurant, or other. Perhaps you, like I do, consider yourself an owner. In my case, that ownership feeling is directly derived through the incentive provide by stock options.

Investors need to understand that options are at a cost, to them, in terms of dilution. Just as any private investor, bank, or government understands the risk and cost of making a loan to someone starting a business. The risk and cost is carried by the investor, not the owner/company. Options should therefore not be expensed by the company.

At the same time, there are a number of alternatives we can pursue to achieve the goals listed above. Just a few examples include:

- 1) Shareholders need to take an active role in approving stock options;
- 2) Companies need to explain to investors why they should be rewarded;
- 3) Finally, accounting and finance standards should seek to provide more timeliness, transparency, and better compare among investments, utilizing technologies like XBRL.

I implore you to use your influence to achieve the goals discussed above.

Regards,

Marty Palka

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