

Stacey Sutay

Letter of Comment No: 496
File Reference: 1102-100

From: John Williams [jwill@cisco.com]
Sent: Tuesday, April 20, 2004 1:41 AM
To: Director - FASB
Subject: Why are you trampling on employee ownership?

I would urge you to reconsider your current plans to expense stock options. This plan is very ill conceived and does not take into account the motivation factors inherent in giving employees a stake in the company.

1) What is the fair market value for a stock option? Well, if employees do not work to increase the value of the company, they are worthless. If employees have increased the value of the stock, then the stock option has paid for itself. The employee is fundamentally different, in that the employee has the control to increase the value of the stock. The value an employee gets from stock options has been EARNED. It is not a GIFT.

2) Stock options are probably one of the greater incentives left available to US employees. Without them, it will be hard to remain competitive in the global economy. We need to keep jobs in the US, and stock options keep the US competitive.

3) I will be directly impacted by your decision. Cisco has already announced that it will not continue stock options if they're expensed. I never considered myself part of the super elite who needs to be punished for crimes I never committed. As an income earner rather than a property owner (property is through the roof in California, thanks to prop 13), I am already punished pretty severely. The high tech industry in California is already taking a beating thanks to high real estate values. It's very hard to attract new talent here without some other kind of incentive. I am sure the situation is similar in other states as well.

This is surely an overreaction to recent events. Enron and Anderson (now Accenture) CHEATED on their accounting, so now you are punishing employees who had nothing to do with it.

BE VERY CAREFUL THAT IN FIXING ONE THING YOU DO NOT BREAK ANOTHER.

John Williams
CPP Performance Verification
jwill@cisco.com
408.853.7472