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Letter of Comment No: 3746
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From: Kim Hawes [khawes@cisco.com]
Sent: Thursday, June 10, 2004 10:21 AM
To: Director - FASB
Subject: Reasons in favor of not expensing Stock Options

Dear Chairman Robert H. Herz,

I am sending this message in support of not expensing stock options for the following reasons:

Personal:

- I have been a Cisco employee for nearly 9 years and the incentive of stock options has motivated me as an employee as much as if I were a individual business owner. The incentive of stock options has been a big part of the culture within Cisco and provides **financial opportunity for employees at ALL levels for long term retirement and healthcare planning.** This is especially significant in light of uncertainties with the Social Security program and rising healthcare costs.
- Stock options at Cisco have driven my productivity as an employee and allowed me to be more successful, thus **allowing me to give back to the economy.**

Accounting Issues:

- Stock options do not meet the definition of an expense because they do not use company assets.
- The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

Competition:

- U.S. companies need stock options to compete with other countries on a global basis.
- Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation.

Thank you for your consideration.

Kim Hawes