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Letter of Comment No: 1026 File Reference: 1102-100

From: Sent: Darrell Heflin [dheflin@cisco.com] Tuesday, April 20, 2004 12:55 PM Director - FASB

To: Subject:

Expensing Stock Options - File Reference No. 1102-100

Chairman Robert H. Herz,

I am an employee at Cisco Systems in Richardson, TX. I would like to enter my plea for not including Employee Stock Options as an expense item. Having worked here for 3 1/2 years, I can tell you that much of Cisco's corporate culture hinges on the ability to grant employee stock options as a motivational tool and way for employees to share ownership and focus in the company. While stock options have been abused at some companies, a majority of companies do not distribute options unfairly or allow them to influence short-term business decisions to the benefit of its corporate elite. Although these issues may continue to persist at a few companies, the benefits of allowing corporations to freely use stock options to motivate their contributors far out-weighs the downsides of preventing potential corporate misconduct. This argument seems to perfectly fit the classic cliché, "Don't throw out the baby with the bath water".

You cannot assume that productivity of the country's most highly skilled contributors will not diminish over the long term if the availability of employee stock options is curtailed. I feel this is especially important now that we are entering a new era of global competition where many of our foreign competitors still enjoy the free use and benefits of employee stock options.

Thank you, Darrell Heflin Technical Lead Cisco ONG Hardware