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Letter of Comment No: 2259 File Reference: 1102-100

From: Steven Harmon (sharmon) [sharmon@cisco.com]

Thursday, May 06, 2004 7:55 PM Sent:

To: Director - FASB

Subject: Stock Option Expensing: File Reference No. 1102-100

Dear Chairman Herz.

Lam writing to urge you not to change the accounting treatment of employee stock option programs. I am very concerned that my employer will eliminate its program if "expensing" of stock options is required. If this happens I fear a comprehensive reduction in productivity and innovation in our industry. Put simply, options are the primary motivating factor behind our aggressive work schedules - they are the reason we "work the schedules we work." We work like owners of the company because we are owners of the company.

Even though I joined Cisco after the "internet boom," my family and I have personally benefited from the Cisco stock option program. We are not part of the statistically small group of technology employees who no longer need to work because of stock option riches. Rather, stock options are an incremental component of my compensation, much like any other benefit, that have allowed me to make a down payment on a home, save for my retirement, and fund educational savings accounts for my children. My options motivate me to maximize my effort to ensure that Cisco retains its market-leading position.

Employee option programs are an integral part of my industry. Our foreign competitors use options as well and I'm very concerned about our ability to retain technology leadership, create jobs, and maintain our innovative edge if these programs are eliminated in the US.

As a lawyer with a business degree, I'm sympathetic to the need for companies to accurately state their financial condition. I also am acutely aware of the benefits of stability and the need to maintain our ability to compete in a global marketplace. I question whether a wholesale change in accounting treatment can be accomplished without disastrous effects. By analogy, what would happen if the "mortgage interest deduction" were eliminated in one fell swoop? Professionals like me have made career planning decisions based on the promise of options in the same way citizens buy homes counting on the mortgage interest subsidy.

Best regards,

Steve

## Steven Harmon

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