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Letter of Comment No: 1058
File Reference: 1102-100

From: Barbara Termaat [btermaat@cisco.com]
Sent: Tuesday, April 20, 2004 12:10 PM
To: Director - FASB
Subject: File Reference No. 1102-100, Expensing stock options
Importance: High

Chairman Robert H. Herz
Financial Accounting Standards Board (FASB)

Dear Chairman Herz,

It is my understanding that the Financial Accounting Standards Board (FASB) released a draft plan stating the intention to treat stock options as an expense. The proposed valuation would make it very difficult to continue broad-based employee stock option programs like the one we currently have at Cisco. I am writing to ask your organization to reconsider this position and to not expense stock options.

I have been a single contributor employee at Cisco for 4 1/2 years, i.e., mostly since the economic downturn and not in management; therefore, not one who has made exorbitant amounts of money from stock options. Despite this, receiving stock options has helped me to have a much closer tie to Cisco in a very positive way. The number of stock options given is in proportion to your ranking within the company and how well the company as a whole is meeting the needs of our customers, and therefore a recognition for successful endeavors. When times are tough at work, it is an incentive to know that you will be rewarded above and beyond your salary for your efforts. Until recently a single mother, my options with current market value have been my "safety net" for unforeseen emergencies.

While I do believe that corporations should pay their fair share of the tax bill, I don't believe stock options meets 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.

As the business world evolves into global corporations, U.S. companies needs stock options to compete with companies in other countries which do not expense stock options. We need to retain stock options as a tool to impact American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'.

Please bring these discussion points from a "regular employee" back to the FASB and consider changing your position, and thus not expense stock options.

Thank you,
Barbara Termaat

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