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Letter of Comment No: 995
File Reference: 1102-100

From: Fred Valcho [fvalcho@cisco.com]
Sent: Tuesday, April 20, 2004 12:40 PM
To: Director - FASB
Subject: File Reference No. 1102-100

To: Chairman Robert H. Herz

Dear Mr. Chariman,

I am a Cisco Systems employee, and have been gainfully employed as such since July of 1995. I worked extremely hard to qualify for this job and position. I took this job for three reasons. 1.) the pay was slightly better than the last job. 2.) this company was, and still is, involved in leading edge technologies, and I wanted to be there, and 3). the stock options plan was the best way for me to better my families living standards. I could not have established higher living standards without the stock options!

I bought a new and bigger house for us to live in in a much nicer neighborhood. I bought a 21 foot Sea Ray for the lake for recreation. I bought 3 snowmobiles and a large trailer to house them in for winter activities. I took my wife and son on vacations to see places in the U.S. we would not have seen otherwise. We stayed in extremely nice hotels. I bought a 325i BMW for my son as his first car because of his straight A's record of 16 years in school. I've since bought him an X5 for college at UC Davis (we traded in the 325i). I bought a Yukon XL for cash to pull the snowmobiles. I bought a Z3, then upgraded to a Z4 BMW. All with stock options.

NONE of this money would have gone into the economy if not for stock options!! We would still be in an older house, driving cheap cars, not going to hotels or eating in expensive restaurants. You want more taxes to pay for more pork barrel projects - and all of them I'll have to pay for without any improvement in my income. I haven't had a raise in over 3 years (I bet you have). I need these options for my retirement. You probably don't have to worry. I'm a conservative and do not believe in handouts. I've worked extremely hard for my family and myself. I don't believe is fair at all.

For the first time in my life, I'm ahead of the ball. Do the right thing and leave the options alone.

I also agree with the Companies messages:

Accounting Issues:

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
- 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. (Example: Chinese companies use stock options and they do not treat them as an expense.)
- Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'.

Regards,
Frederick Valcho

4/20/2004