

ikon**Letter of Comment No: 4263**
File Reference: 1102-100

From: Heather Major [hmajor@cisco.com]
Sent: Monday, June 14, 2004 5:50 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100

Dear Chairman Herz,

I personally urge you and the FASB to not expense stock options, especially at an unrealistically high valuation.

Stock options are a major part of my retirement plan and savings plan for a home. Having a personal stake in the success of the business does help to drive my own performance. I can't tell you how many times I've told my family that I am working extra to help bring up the stock price. I say it laughingly, but it's true. I do go the extra mile many times because in marketing, I know that my activities help to enhance customer perception of Cisco, so they buy more from us, and the company earns more for its shareholders - like me.

So in fact, it would seem counter-capitalistic to expense stock options -

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. *(better-than-cash rewards....long-term-value-focused)*
- Stock options do not meet the definition of an expense because they do not use company assets. *(I learned this at MBA 101)*
- The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. *(Again, thank the fine folks at my grad school for teaching me this one, too)*

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.)..I just talked to someone yesterday whos job moved overseas - stock options can help fill salary voids so jobs stay here in the U.S..*
- 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'. *enough said...*

The last few years have been hard on everyone. Nerves are raw, trust is low. There are many ways to address the issue of appropriately accounting for stock options without treating them as an expense, especially at an unrealistically high valuation. On behalf of all my hopes and dreams of having a nice nest egg to use to buy a home or to retire, please find another way to account for these stock options that benefits everyone - especially the little guys like me.

Kindest Regards,

Heather Major
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