

Stacey Sutay

From: Hanson Lauren [lhanson@cisco.com]
Sent: Monday, April 19, 2004 4:09 PM
To: Director - FASB
Subject: File Reference No. 1102-100-Please do not expense Employee Stock Options

Dear Chairman Robert H. Herz,

I have been an employee at Cisco Systems in San Jose, CA for over 6 years. As a working mother living in the very expensive Bay Area, I urge you not to expense stock options, especially at an unrealistically high valuation. Gaining employee stock options at Cisco has kept me productive and excited to work at a larger company and has made me feel like my work contributions matter. They motivate me to work harder and longer and gain ownership in my company over time.

I also rely on the proceeds from stock options to help offset my very expensive day care costs and general cost of living in this area. I have an MBA, am 42 years old and only recently bought my first house 70 miles away from my job in San Jose, CA. Living here is economically tough, and stock options are one way of helping to offset costs even if in a small way, and help to keep me here in the state. I hope you will consider the following:

- 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'.

Please consider these issues and the welfare of Californians. Thanks for listening.

Kind regards,
Lauren Hanson