

Len Tatore**Letter of Comment No: 1417**
File Reference: 1102-100

From: Melanie Rohr Burgess (mrohr) [mrohr@cisco.com]
Sent: Thursday, April 22, 2004 9:28 PM
To: Director - FASB
Subject: Re: File Reference No. 1102-100

Dear Chairman Robert H. Herz,

I am writing to you to express the importance of stock options from my perspective. I am a manager in Human Resources in Corporate Affairs at Cisco Systems.

My organization is made up of four areas of business accountability: areas: Worldwide Diversity, Corporate Governance and Ethics, Worldwide Education, and Corporate Social Responsibility. In my work, I encounter people around the US and world every day. There is feeling of pride for being responsible for your own behavior as a share holder in your own company.

From my perspective in Diversity and Ethics work at Cisco Systems, I feel that stock options encourage employees to operate more ethically. On even the lowest level, people think twice before taking envelopes, batteries, or cheating expense reports, when they own part of their own company compared to other companies and organizations I have worked for. Employees with stock options have little respect for and will confront others for behavior they feel that impacts their bottom line. People have a say when they own stock, their voice is heard more, it is in a sense - a democracy through finance. Internal shareholders are just as vigilant, if not more, than external stockholders. They challenge the company on investments, earnings, markets, philanthropic ventures and corporate social responsibility. As employees and as shareholders, they take pride to innovate, compete and question. In a time where corporate ethics are disappointingly challenged at the senior levels, impacting our economy and trust for financial standards, I believe that expensing stock options would have a reverse and unexpected impact on companies and the economy when people have less ownership and empowerment.

Also, let me share a personal perspective. I am 29 years old, my husband is 30. We have both worked for large corporations (IBM, Cisco) where we have had stock options provided based on our performance and company success. This is a major reward and motivator for our performance. We are both top-rated performers in the top 10 and 15% of the companies we work for, and while bonuses were tough for companies over the past few years, we did receive stock options. Through our undergraduate and graduate education, much academic focus was placed on discussing our generation's need to prepare for retirement income. The message was clear- be certain to invest in more than your 401K, as what you are paying into Social Security will not cover you after the Baby Boomers retire and age.

Additionally, as our careers began, we noted that IBM and other companies with large retiree populations began to decrease medical benefits and cut their retirement plans. Our generation will not have the retirement plans that our parents had.

Our stock options, in addition to our savings, equal our hopes for a stable future. They are for us to exercise as they become mature, for a variety of things - not new cars or tiling a house, but more important things as we build our financial foundation. Things like if we need to help pay for our parent's medical care; our parents are in their late 50s and early 60s and are just beginning to experience challenges with their health such as blindness, heart attacks and quadruple by-pass, and breast cancer. They are for us to use to help our family pay for our cousin's second year of college. Or they are for us exercise if one of us loses our job in the challenging economic climate we are in, or becomes disabled, or one of us steps out of corporate life to take care of a child. These options are critical to us, they are a full part of our financial and life plan, and they are one of the reasons that we chose to work for the companies we do.

Through stock options, we have had our first experiences in investing and being more knowledgeable about the market. Stock options encourage investment, economic awareness and participation in people who otherwise may not have had time, or taken time to invest. We are first line managers at these companies and invest about 60 hours into our work weeks, making time to invest, watch investments, or even become more

4/23/2004

knowledgeable would be challenging unless someone (in this case a company) inspires or helps you get involved, interested and INVESTED emotionally.

I urge you to not expense stock options. I understand that the artificially high valuation for a stock option will eliminate stock options at top technology and other industry companies. I feel this would be an enormous and short-sighted mistake. Stock options do not meet the definition of an expense because they do not use company assets and the true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. Can you explain what the value would be by doing this? I am certain that more creative measures could be determined, rather than impacting innovation and competition in technology.

Thank you for your time and consideration.

Sincerely,
Melanie Rohr Burgess

Melanie Rohr Burgess
Manager, Corporate Affairs
Cisco Systems
602.778.2798