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File Reference: 1102-100

From: Sharon Matthis [smatthis@cisco.com]
Sent: Tuesday, April 20, 2004 3:55 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Chairman Robert H. Herz,

As a US-based employee, I am writing to encourage you to reconsider your (FASB's) recently announced plan proposing that US company stock options be treated as an expense.

Given the state of the US economy over the last few years and the associated impacts in the high tech arena, stock options have remained one of the few benefits that enable US companies to successfully compete with non-US companies on a global platform. Should the FASB's plan be realized, significantly negative impacts would be quickly realized. How can US companies hope to effectively retain any leadership in the high tech industry, retain the qualified and highly skilled resources required to drive innovation and development that will result in further job creation and/or productivity if we are unable to effectively compete (as a company or as an employer)?

Please recognize that: 1) stock options do not utilize company assets; 2) a stock option's true cost is a dilution of EPS (earnings per share) - accounted for when the options are exercised; and 3) stock options are a valuable tool used to both drive employee motivation and acknowledge employee contributions, as well as to promote a "vested" interest in our company's success. When my company is successful, I know it...I am a part of that success...and (specifically, through stock options) I am able to share in that success!

*Personally, I cannot stress enough how important having these options have been to me and my family. As a single parent, they are enabling me to ensure my son's college tuition, room & board **without increased indebtedness!** Many of my friends and peers have or plan to do likewise. Additional examples include home ownership, extended care for parents/children, and continuing education.*

Moving forward with the FASB's plan to expense stock options, particularly at such an unrealistic high valuation, will make it unfeasible for Cisco and other companies to continue to offer broad-based stock options programs, to US employees, like we have today. I urge you to NOT expense stock options.

Sincerely,

Sharon Matthis

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