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Letter of Comment No: 2073 File Reference: 1102-100

From: Victor Alejandro [valejand@cisco.com]

Sent: Wednesday, April 28, 2004 5:06 PM

To: Director - FASB

Subject: Don't expense stock options

Dear Chairman Robert H. Herz,

Please do not pursue changes that will require US Companies to expense stock options. This is in regards to File Reference No. 1102-100.

Here are my 3 reasons for remaining an advocate of broad-based stock options:

- 1. Accuracy: Not clear to me that an acceptable accounting method (Black-Scholes, binomial, etc.) can accurately value stock options as expenses. Those models may have a negative impact on company financial statements, competitive standing (perception) and current market prices. Those types of losses wouldn't be helpful to morale or motivation. They're already accounted for in stock dilution; doesn't make sense to hinder the stock price further if the expense model isn't bulletproof.
- 2. Ownership: Broad-based stock ownership drives increased performance on the job. I feel more closely aligned with my company, co-workers and teammates when I know we will all benefit by a rise in the company stock. The rewards are greater for the long hours and willingness to go the "extra mile" with a new product, process, technology, etc. if the benefit to the company transfers back to employees regardless of whether my idea is owned or implemented by my function.
- 3. Innovation: Knowing that I have the "possibility" to earn more for my contribution to my company reinforces the spirit of creativity, flexibility and innovation. If I knew my salary for my job description was the same as the person in the next company, in the next state or another country there would be less satisfaction than knowing I could gain by being part of a company that shares the benefits with its' employees. Those are the kind of traits that reward rational experimentation and competitive evolution. Sending the message that there is no benefit to change is contrary to the American entrepreneurial spirit.

Regards,

Victor Alejandro Cisco Systems, Inc.