

From: Donna Fry [dfry@cisco.com]
Sent: Thursday, June 10, 2004 11:06 AM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz,

This letter requests that you reconsider expensing of employee stock options.

Stock options are one of the few incentives used today to motivate employees. If the accounting rules are changed, and employers stop granting broad-based employee stock options because of the changes, US employees will no longer have that incentive.

And with the ever-growing threat of outsourcing of US jobs overseas and companies that are allowed to change the rules as they go along, we really deserve stock options! We sacrifice everyday to put forth enormous amounts of energy and work very long hours, so please don't take away the *only* incentive we have left. Please help to protect the American worker in this country, not take away the only thing we have left.

As many of us approach reach of our supposed "golden years" we are finding out that everything we worked for and planned might not come to fruition. For me personally, I found myself in that predicament 5 years ago.

I worked for IBM for 21 years and was unfortunate enough to be in the wrong place at the wrong time when they decided to sell the IBM Global Network, and its employees, to AT&T. I LOST my pension, the pension I had worked for for 21 years.

I played by the rules all the way along, I gave up vacations, I never stayed home sick, I put in countless extra hours without compensation, and I missed out on too many years of my son's life because I "had to work." I missed out on life-changing events, times I can never recapture. And I did this all because I was committed and dedicated to a company that, in the end, kicked me out with nothing - not even what was promised to me, what I thought was "guaranteed."

So, I was forced to start over, like so many other unfortunate Americans. And I did it without anyone's help, but my own dogged determination. And now here we are again, at the threshold of some regulation that is trying to take away one of the only financial incentives we have left, one of the few hopes I had to recoup any of my losses from IBM.

Consider this - imagine if you were in the shoes of so many in this same situation, how would you feel?

-- Imagine working in an industry that you see and know is being outsourced around you on a regular basis and no one seems to be trying to pass legislation to stop the reduction (and potential elimination) of American jobs.

-- Imagine that you have worked the majority of your lifetime and still think you might never be able to retire, not until you die of course, even though you have done all you can in the form of 401K retirement savings. If we are not impacted by the markets, we are impacted by the exorbitant cost of medical insurance. We can't get ahead no matter how hard we try!

-- Imagine knowing that your future looks bleak even though you have put forth so much extra efforts to do everything you can to secure your

employment by doing the best job possible, by always being available, by taking on more and more work as you see other good employees lose their jobs and become depressed about the uncertainty of their future.

-- Imagine being in your 40s and worrying every day about whether or not you will be able to stay employed despite your abilities, skills, dedication, and ambitions.

Just try to imagine how it would affect you. If you can do that, I feel you would be able to make the right decision for all US employees.

It is a realistic belief by many that, if this proposed stock option expensing regulation were to succeed, it would eliminate the use of options for the mass majority of workers (the ones that BUILD a company to greatness), as companies would be deterred by the prospect of a significant and distorted impact on earnings. Meaning, only those at the top would still reap the benefit.

Please don't take away the only financial incentive that we have left because new regulations like the one that is being proposed only serves to future squeeze out the middle class in this country.

I urge you to reconsider and decide NOT to expense stock options, but instead work to a reasonable solution that maintains the preservation of broad-based stock options for *all* employees.

We know the issues, but here they are again:

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.

* 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'.

Thank you for your attention to my letter and for your consideration in this matter.

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