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From: Kathy Talman [ktalman@cisco.com]
Sent: Wednesday, April 21, 2004 9:35 AM
To: Director - FASB
Subject: New rules regarding stock options

To the Director of FASB,

I would kindly ask you to revisit your stance on employee stock options. This is a very important and far-reaching issue in American corporate culture. I am an employee at Cisco Systems, a leading data communications manufacturing company. Cisco has been well known in the industry for offering generous stock options incentives to all of their employees. The new regulations which would force companies to expense stock options will cause me and many other Cisco employees to lose the benefit of receiving stock options.

The loss of stock options has many effects. On a personal level, this has been very beneficial to me and my peers. I have planned for my options as part of my retirement nest egg. I want to be responsible for my retirement, not depend on a fragile Social Security system! Stock options have greatly benefited the standard of living of me and my Cisco peers by allowing us to purchase new homes in better neighborhoods, new cars, and fund well deserved family vacations.

The change in stock options extends far beyond the impact to the individual. Stock options are incentives which drive technical excellence in our data communications industry. People work very hard at leading high tech companies, and stock options reward that employee drive and creativity. Without stock options, would we have had the whole Internet Boom? Where would our economy be without it? The excellent productivity levels in corporate America are a direct result of the innovations of firms that generously reward their employees with stock options. If stock options are taken away, technology innovation in the U.S. will be adversely affected. We will lose even more ground to agile emerging competitive foreign companies such as those in China and India. Chinese firms understand the value of stock options. They offer them to their employees, and they are not considered an expense.

Let me finish by asking you again to reconsider the stance that you have taken on stock options. There are very significant impacts on individuals and corporate America that you may find most undesirable.

Best regards,

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