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**From:** Morgan, Christine [christmo@cisco.com]  
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**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

Letter of Comment No: 1225  
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Message to Chairman Robert H. Herz

Dear Mr. Herz.

I am deeply concerned over the FASB decision to proposed expensing of corporate employee stock options. Not only do I feel this is inconsistent from an accounting perspective (for all the reasons I will fore go mentioning since I am sure you are well aware of that argument), it will have a tremendous impact on employee morale in companies such as mine, where many peoples reasons for hanging in there through the hard times is for the potential benefit their stock options may provide when times improve.

In tough economic times, stock options are critical for attracting good employees when higher salaries may not be possible. In an expensive market like Northern California, options may be the only way a person will ever able to live here permanently when the average home price is \$500-700,000. Additionally, the cost of employee turnover is enormous in terms of dollar costs and disruption of work. Options are key to retaining key people and promoting corporate stability by personally vesting employees in the corporations success.

In my own case, the stock option incentive was a major factor in coming to Cisco Systems, and in sticking here through the economic downturn when I would otherwise may have left the area completely. As a single woman, in the highest tax bracket, the cost of housing in the Bay Area has made it impossible for me to save enough money for even a small condo, much less a house. Despite the slow valuation of Cisco's stock in the 3 1/2 years I have been here, is it because of my options and purchased stock that I finally have enough money for a down payment on a townhouse I am buying this week. I know that many of my co-workers also were only able to purchase homes here because of their options provided the extra cash.

On another level, I see and feel every day the positive impact stock options provides in promoting corporate culture, teamwork and personal ownership of responsibilities. People at every level of the organization have a vested interest in the financial health and success of our company on every level because it will ultimately be reflected in the stock price. Options keep everyones eyes on the prize and keep all of us racing for the finish line.

Please don't jeopardize this.

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