

Stacey Sutay

From: Loizos Vakanas [lvakanas@cisco.com]
Sent: Tuesday, April 20, 2004 12:22 AM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100, (Expensing stock options)

File Reference No. 1102-100,

To: Chairman Robert H. Herz,

Dear Mr Chairman,

I am writing this email urging you not to expense stock options, especially at an unrealistically high valuation. For me personally, and to every employee, stock options offer an incentive for creativity and hard work, which benefits the company, the shareholders and the economy of our country in the final analysis. Without the extra motivation and financial help that stock options offer, I, personally (and I believe a lot of my fellow employees) have no hope of ever owning their own home, here in the San Francisco Bay Area, which as you know is one of the most expensive in the country.

Without the extra help of stock options, it is my conviction that many employees, including myself will have to consider relocating out of the Silicon Valley area

In terms of accounting, I would draw your attention to the following facts:

- Stock options do not meet the definition of an expense because they do not use company assets.
- Stock options drive innovation and productivity. Expensing stock options at such high valuations are required by the FASB will eliminate this incentive
- The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. Why punish investors and employees twice?

Competition:

- U.S. companies need to offer 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, where our country is trying to compete with other emerging countries and trying to keep high-tech jobs in the USA, the strategy of expensing stock options, especially at such an artificially high price will have a detrimental effect to say the least.

In conclusion, I urge you against expensing stock options, or at least find a reasonable compromise to it.

Sincerely,

Loizos Vakanas, PhD