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Letter of Comment No: 3710 File Reference: 1102-100

From:

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Sent:

Thursday, June 10, 2004 2:37 PM

To:

Director - FASB

Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz,

I am writing to you regarding the Financial Accounting Standards Board (FASB) draft plan to treat stock options as an expense. Based on what I've read, the valuation proposed would make it very difficult for companies to continue offering employee stock option programs, such as the program currently offered by my company (Cisco Systems).

I urge your organization NOT to treat stock options as an expense, or to expense them at high valuations. Stock options have helped myself and numerous of my friends, family, and colleagues in providing motivation (beyond the normal motivation provided by simply taking pride in what we do) to peform at an extremely high level at our respective companies. In turn, this motivation of the employee base certainly translates to shareholder value. The end result has allowed my family to personally benefit, but the company to benefit by increased productivity and high employee morale (which I'm sure translates to increases in productivity and/or revenues!). From what I've read on this topic, treating stock options as an expense will result in the elimination (or dramatic reduction) of plans offered by companies such as mine. This would seem to be harmful in numerous ways, including the ability for companies to attract high-caliber employees, reduction of employee morale, etc.

In summary, I repeat my concern regarding treatment of stock options as an expense, and urge you not to do so. Thanks for your consideration.

Regards,

Aaron M. Beaule Herndon, VA