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Letter of Comment No:922 File Reference: 1102-100

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From: Keith Brumbaugh [kbrumbau@cisco.com]

Sent: Tuesday, April 20, 2004 1:12 PM

To: Director - FASB

Subject: File Reference No. 1102-100 - Expensing Stock Options

To: Chairman Robert H. Herz

Dear Chairman Herz,

I am an individual contributor working for Cisco Systems in San Jose, CA. I would like you and the Financial Accounting Standards Board to seriously reconsider the current plan to have US companies treat employee stock options as an expense. The current plan would create an artificially high valuation for a stock option and will eliminate stock options as a tool that has driven innovation and productivity.

When I accepted my position here at Cisco four and a half years ago I did so at a salary 20% lower than what other competitors were offering. One of the key factors in my decision to accept a lower salary from Cisco was the stock options they were offering. As a Cisco stock holder since 1993 I knew the history of Cisco stock and was confident that if the company and shareholders continued to do well the options they were offering me would more than off-set the lower salary. Even with the recent economic downturn I have never regretted my decision.

Employee stock options create an atmosphere where employees routinely make business decisions based on what's best for the company rather than what's best for themselves. This alignment of employee and stockholder goals driven by the desire for economic gain benefits everyone involved. Without employee stock participation this important alignment of goals is unlikely to be maintained.

Over the years working at Cisco and other U.S. high tech companies I have been privileged to work with some of the best and brightest people from all around the world. The companies I've worked for have used the leverage employee stock options provide to attract this talent. Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation because it will be hard to compete for the best talent globally with companies outside the US which are not bound by these rules. In today's economic environment, the number one rule should be 'first, do no harm'. Cisco and other U.S. companies need stock options if they are to continue to compete with other countries on a global basis. Please help to keep the playing field level for all of us. Thank you.

Sincerely,

## Keith Brumbaugh

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