ikon Letter of Comment No: 562

From: Rex Parkinson [rparkins@cisco.com]

Sent: Tuesday, April 20, 2004 9:17 AM

To: Director - FASB
Cc: karen parkinson

Subject: FASB Ruling on Stock Options - Feedback

Chairman Robert H. Herz,

I wanted to send you an email to highlight the effect that stock options have played in my career since my joining Cisco over 10 years ago! During this time period, I have been a part of one of the greatest Corporate growth stories in the history of the high tech industry and I believe a key driver for this growth is a sense of employee ownership at Cisco and pride in working for one of the greatest CEO's of our times in John Chambers. Unlike a large majority of companies that issue stock options, Cisco provides for a broad based option distribution across the entire company creating a sense of ownership for everyone that works for Cisco. Having worked for Cisco for over 10 years, stock options have allowed me to stay loyal to the company but also provided for the education of my children and financial security for my family. On the other side, I have seen my outstanding value of non executed stock options drop substantially in value over the past 2-3 years, yet I am still motivated to remain at Cisco because I truly believe in our Executive's strategic vision for the future and sense of company ownership! I have full confidence in stock's ability increase over time and get my existing options back into the money!

The current proposal from FASB places an artificially high valuation for stock options and will eliminate this business tool as a way to drive innovation and productivity. This proposal will basically eliminate broad based employee stock options as a key incentive and have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, I would think that we should be considering legislation that doesn't decrease our ability to compete on the worldwide theatre, as China is now offering options to their high tech industry!

I am proud to work for a company such as Cisco because of its executive management and the feeling of a "family" when it comes to our success. I do not believe this culture could ever have been created without giving employees a sense of ownership and having a broad based options program. The current proposal by FASB has key accounting issues that need to get resolved or a compromised worked out to fix the obvious flaws in the existing proposal:

Accounting Issues:

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which
 has driven innovation and productivity.
- Stock options do not meet the definition of an expense because they do not use company assets.
- The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options
 are exercised.

I hope this email will help convince you of the value that stock options have played in the growth of Cisco but also to consider a compromise on the accounting issues in the current legislation!

Sincerely yours,
Rex Parkinson
EMPOWERING THE INTERNET GENERATION

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