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To: Director - FASB

Cc: savestockoptions@cisco.com Subject: File Reference No. 1102-100

Chairman Robert H. Herz.

Late last month, the Financial Accounting Standards Board (FASB) released a draft plan stating that they intend to treat stock options as an expense. The valuation they propose would make it very difficult to continue broad-based employee stock option programs like the one we currently have at Cisco. I urge you <u>not</u> to expense stock options, especially at an unrealistically high valuation.

I have been an employee at Cisco for almost 5 years and although I have yet to exercise a single stock option I value them greatly. Not only do they motivate me to perform on a daily basis but they are an integral part of my over-all portfolio of investments that I am relying on to send my children to college and supplement my retirement.

The primary reason I went to work for Cisco was the company's history of compensating their employees with stock options. I wanted to work at a company that gives the employees a chance to own a piece of the company. I think this sense of ownership is critical to the success of the company and directly influences shareholder value.

In addition to the aforementioned, I believe some serious questions remain in the FASB draft plan concerning accounting issues and the effect on competition.

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.

Competition:

- U.S. companies need 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 closing, I believe that in today's economic environment, the number one rule should be 'first, do no harm'.

Sincerely,

Scott Barnett