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From: Don Banks [donbanks@cisco.com] Wednesday, April 21, 2004 1:58 PM Sent:

Director - FASB To:

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



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that you consider sending a message to the FASB and urge them not to expense stock options, especially at an unrealistically high valuation. Tell a personal story about how stock options have helped you and influenced your work. How do they motivate you? How have they or will they help you and your family financially? How do they align you with shareholders' interests?

Letter of Comment No: 1208

File Reference: 1102-100

Using your own words to address the importance of stock options will be the most impactful, but please feel free to draw on some of our key corporate messages as well.

To: Chairman Robert H. Herz

Re: File Reference No. 1102-100

As an employee who benefits from stock options, I am deeply concerned about FASB's plans to expense stock options. I urge you not to expense stock options, especially at an unrealistically high valuation. For me personally, having part of my remuneration allocated as stock options allows me to directly share in the growth and profitability of the company for which I work and to which I contribute. Shared success is an important incentive to me. My stock options, should my company be more successful in the coming years, will contribute in a big way towards my retirement. My 401k, especially after the stock market failure during the late 90's and early 2000's, will not be sufficient to provide that, and amongst other investments, my stock options provide a way to be able to afford college on a cash basis because I have a certain value built up in my stock options. By the way, the failure was not due to companies like mine, but due to dishonest and deceitful executives at companies such as Enron, Worldcom and others out for their own benefit to the exclusion of employees and stockholders. Expensing stock options does not solve this problem; I liken it to a locked door - it only keeps out the honest people. The cost is destroying the incentives to all of the employees in legitimate, honest companies that currently receive them. It is my belief that expensing stock options will essentially eliminate their use as an employee incentive. How will the company replace this incentive and make up the difference? What is the real cost of this action to legitimate U.S. companies and their employees? Besides the fact that the accounting is unsound, negatively affecting the ability to compete both worldwide and within the U.S. is not a well founded solution to any problem.

In summary, some of the specific issues I see with the current FASB proposal are:

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.

 \cdot The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

Competition:

- \cdot 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 today's economic environment, the number one rule should be 'first, do no harm'.

Don Banks.