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Letter of Comment No: 1134
File Reference: 1102-100

From:	Joel Barbier (jbarbier) [jbarbier@cisco.com]
Sent:	Monday, April 26, 2004 12:14 PM
To:	Director - FASB
Cc:	savestockoptions(mailer list); Andrew Condon (acondon)
Subject:	File Reference No. 1102-100 - FASB Stock Options Expense treatment
Importance:	High
Follow Up Flag:	Follow up
Due By:	Monday, April 26, 2004 3:00 AM
Flag Status:	Flagged

Monday, April 26, 2004

To: Chairman Robert H. Herz
Financial Accounting Standards Board

From: Joel Barbier
Finance Employee, Cisco Systems

Reference: File Reference No. 1102-100

Mr Chairman:

I would like to raise my concern with a decision made recently by the Financial Accounting Standards Board (FASB). In late March, the Board stated its plan to treat stock options as an expense. The valuation proposed would make it very difficult to continue broad-based employee stock option programs like the one we currently have at Cisco.

Employee ownership has been a key focus of the Cisco culture since I joined the company in 1999. My energy, focus on overall success, and enthusiasm as a Cisco employee is largely related to the on-going stock option grants I receive. Stock option grants have been a great motivator and a way of reward that align all of Cisco's employees as shareholders.

Therefore, I would like to request that FASB does not implement this plan, especially at such an unrealistically high valuation.

As a reference, I would like to highlinght some of the accounting issues related to the planned FASB changes:

- Valuation: The artificially high valuation for a stock option required by FASB threatens the use of stock options as a tool which has driven the California Bay Area Innovation and productivity over the past decades.
- Definition of Expense: 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.
- Competitive advantage: The unique use of stock options in American technology corporations is a great driver of success and competitive advantage for Technology companies.

Thank you for your attention on this critical matter. I look forward to hearing back from you on a mitigation to the concerns I have raised.

Sincerely,

Joel S. Barbier