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Letter of Comment No: 1002 File Reference: 1102-100

From: Jay Sherman [jsherman@cisco.com]

Sent: Tuesday, April 20, 2004 12:43 PM

To: Director - FASB

Subject: Don't expense stock options

Chairman Robert H. Herz

FASB

re: File Reference No. 1102-100

Dear Mr. Herz:

I am writing to urge you to not recommend treating stock options as expense. I sincerely believe that this action would have serious negative consequences for American industry and entrepreneurship. As a leader within Cisco systems, I feel a strong sense of ownership for our company's performance, and want all the people in my organization to share that feeling. Stock options are a critical tool for establishing ownership and are a powerful motivator to produce consistent and strong results. Without them, I believe we will not be able to accomplish much of what keeps us competitive in today's global economy.

Since the value of stock options is already reflected in diluted earnings per share, I see absolutely no benefit in treating them as expense. There is no upside to this – just negative impact. I urge you to reconsider your position on this, and to not weaken this important tool.

Thanks for your consideration,

Jay Sherman

Jay L. Sherman Director of Engineering IP Communications BU Cisco Systems 5330 Airport Road Boulder, Colorado 80301

720.562.6757 (office) 720.480.2905 (mobile) 800.365.4578 (pager) 720-562-6595 (fax)