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Letter of Comment No: 1580
File Reference: 1102-100

From: Munir Ladhahbhoj [mladhahb@cisco.com]
Sent: Friday, April 23, 2004 11:13 AM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100, addressed to "Chairman Robert H. Herz,"

Mr. Hertz:

I respectfully urge the FASB not to expense stock options, especially at an unrealistically high valuation.

Employee ownership has been a part of the Cisco culture since day one. We all contribute to Cisco's success and we should all benefit when the company is successful. 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. With the current FASB draft plan I along with my fellow Cisco team feel that the basic tenet of employee ownership is now under fire.

The stock options have helped all at Cisco to make Cisco successful by developing and supporting quality networking products and solutions that our customers require for their businesses. In my personal case I hope that the stock options will provide a financial base for retirement.

A few considerations that DO NOT support the Expensing of Stock Options as proposed in the recent FASB Draft:

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

To conclude my appeal to you Mr Herz, please help hardworking employees of Cisco and its shareholders enjoy the benefits of broad based stock option grants.

Sincerely,

Munir Ladhahbhoj

"Hard working Cisco Employee"

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