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From:

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Letter of Comment No:5229

File Reference: 1102-100

Sent:

Wednesday, June 23, 2004 12:25 PM

To: Cc: Director - FASB mjanakir@cisco.com

Subject:

File Reference Number 1102-100

Kind Attn : Chairman Robert H. Herz

Dear Mr. Chairman,

I am sending you this email regarding expensing of stock options. I sincerely urge you not to expense stock options, especially at an unrealistically high valuation. The valuation FASB proposes would make it very difficult to continue broad-based employee stock option programs. Stock options have been a key motivator for me in sharing the companies success. It also helps me align with shareholders' interests and look out for increasing the shareholder wealth and thereby improving productivity and reduce costs.

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.

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'.

I am also concerned that hi-tech companies may migrate the jobs to other countries where operational expenses will be less to compensate for this which in turn will impact our economy and people. Because of these reasons, I urge you to not expense stock options.

Sincerely Yours, Janakiraman Mohanaraman Technical Leader, Cisco Systems, Inc.