

Len Tatore

From: Anand Singh [anandksi@cisco.com]
Sent: Thursday, April 22, 2004 5:31 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Letter of Comment No: 1447
File Reference: 1102-100

Dear Chairman Robert H. Herz,

This e-mail is regarding FASB draft stating that they intend to treat stock options as an expense. Sir, I would like to convey my personal opinion about that. This would harm employee motivation and the global competitiveness of Cisco. These stock options are a real motivating factor for us to work hard and deliver. Not only do they benefit us and our family, they also benefit our shareholders as well. Some of the key issues I see:

1. The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity in Cisco.
2. Stock options do not meet the definition of an expense because they do not use company assets.
3. The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.
4. We need stock options for Cisco to compete globally. For example, Chinese and Indian high-tech companies have employee stock options and they do not treat them as an expense.
5. Expensing stock options could have a dramatic impact on American high-tech leadership, innovation, and job creation.

Please do not consider stock options as an expense.

Best regards,
-Anand