

Stacey Sutay

From: Siva Natarajan [sinatara@cisco.com]
Sent: Monday, April 19, 2004 4:53 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Financial Accounting Standards Board (FASB) draft plan???

To

The Chariman
Robert H. Herz

Dear Robert,

As an employee of Cisco Systems, and a proud owner of the Employee ownership of Cisco's program, I am against expensing stock option. My own personal view is that this plan, of expensing stock options, is not good for America.

With the introduction of FASB draft, I think, the very basic tenet of employee ownership is now under fire. There are several issues which needs to be addressed, and frankly, I don't know if you guys put any thought into these issues, before releasing a FASB draft plan. Here are some issues which come to my mind:

Accounting Issues:

- The artificially high valuation for a stock option put forth in FASB plan 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 needs 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.)**

How the

heck are we going to compete with mom and pop shops in China and India without attracting talent.

Have you guys even thought about this issue at all?

- Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation, and ultimately the American people. In today's economic environment, the number one rule should be 'first, do no harm'.

These factors lead me to believe that this plan is not good or palatable for me. Please reconsider this draft.

4/20/2004