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Letter of Comment No: 2050
File Reference: 1102-100

From: Ved Sharma (vesharma) [vesharma@cisco.com]
Sent: Tuesday, April 27, 2004 4:47 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: RE: FASB Draft Plan-File Reference No. 1102-100

-----Original Message-----

From: Ved Sharma (vesharma) [mailto:vesharma@cisco.com]
Sent: Tuesday, April 27, 2004 12:13 PM
To: 'director@fasb.org'
Cc: 'saveoptions@cisco.com'
Subject: FASB Draft Plan-File Reference No. 1102-100

Dear Mr. Chairman (Robert H. Herz),

I have recently been made aware of the FASB draft plan that in my opinion will substantially change and change for the worst, one of the most crucial part of our incentive plan at work. The FASB proposal would hurt economic recovery and specially in California at the worst possible time. This proposal will hurt workers and undermine entrepreneurship and innovation unnecessarily. 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 personally work, live and play differently knowing the financial security I have with the stock options. I can send my son to College without having to borrow money and specially, in these times when the tuition in California has tripled in the past 2 years. I would not be able to afford the college expense in addition to my own family expenses if it were not for the stock options. I personally believe that there is absolutely no better way to motivate people, drive innovation and reach productivity levels that are unheard of in countries outside US. Furthermore, there is absolutely nothing that will motivate you at work than knowing you are financially secure – it's the financial security that breaths motivation at work and at home. Its that sense of ownership that allows you to give your 120% at work and then realizing the benefits whether it be in profit sharing or value of share price.

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