

Stacey Sutay

From: Ashok Mehta [asmehta@cisco.com]
Sent: Monday, April 19, 2004 10:27 PM
To: Director - FASB
Subject: An argument against expensing stock options

Letter of Comment No: 328
File Reference: 1102-100

Dear Sir,

This e-mail is to request you not to expense stock options, that would impact a number of well run corporations through out united states. The real value of stock options lie in motivating thousands of employees of these companies to WORK HARD, AND DELIVER BEST PRODUCT AND SERVICES IN THE MOST EFFICIENT MANNER. This is what the world competition needs, and stock options are instrumental in delivering a state of mind and motivation in each and every employee in such companies. It has helped me personally as a Cisco employee in reshaping my attitude about work, and has helped me tremendously financially, as well as to the shareholders of the Cisco stocks. Here are some more reason why FASB should not consider expensing the stock options:

- 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'.

As you review all alternatives, I hope you will take above opinion in consideration.

Thanks,
Ashok Mehta
Cisco Systems
asmehta@cisco.com