ikon

Letter of Comment No: 1569 File Reference: 1102-100

From:

Palman Nodoushani (nodoushp) [nodoushp@cisco.com]

Sent: To: Thursday, April 22, 2004 6:18 AM Director - FASB

Subject:

File Reference No. 1102-100, Attention: Chairman Robert H. Herz



InterScan_SafeSta mp.txt (296 B...

Mr Chairman Robert Herz,

As you are well aware, late last month, the Financial Accounting Standards Board (FASB) released a draft plan stating that they intend to treat stock options as an expense. The valuation they propose would make it very difficult to continue broad-based employee stock option programs like the one we currently have at Cisco.

 ${\rm I}$ want to urge the FASB not to expense stock options, especially at an unrealistically high valuation.

Like many other working Americans, I have seen the motivating effects of employee stock option programs. Owning options makes me feel like I have a stake in the success of my company and increases my dedication and long-term commitment to my work. I believe that stock option programs are also good for shareholders because employees are rewarded only if our company's stock value increases.

Stock options give employees at all levels a stake in the success of our companies. They encourage the hard work and entrepreneurial spirit that fuel innovation, increase productivity and boost shareholder returns.

In particular there are many issues that I am well aware you are aware of:

Accounting Issues:

- * The artificially high valuation for a stock option required by FASR 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 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'.

Appreciate your time in this regards.

Sincerely, Paiman Nodoushani

16 Saddle Hill Drive Northborough MA, 01532