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From: Sent:

To:

Gaurav Khanna [gkhanna@cisco.com]

Friday, June 25, 2004 1:48 AM Director - FASB

Subject:

File Reference No. 1102-100

Letter of Comment No: 5365 File Reference: 1102-100

To: Chairman Robert H. Herz

Dear Sir,

I am writing to express my support for NOT expensing stock options, as the FASB seems on track to do.

Your organization is making a very big mistake. I'm sure your motivations and reasons are sincere, but they are misguided. Lets face it -- this issue has only re-surfaced because of the scandals of companies such as Enron and WorldCom. Is it fair to punish the regular employees -- some of whom would not be able to live where they work?

I sincerely believe that:

- 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.

Furthermore:

- 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'm am sure you have heard these arguments -- please give them your deepest consideration

Regards

Gaurav Khanna Cisco Systems