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**From:** Ravi Ravishankar (sravisha) [sravisha@cisco.com]  
**Sent:** Friday, April 23, 2004 2:41 PM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100 - Expensing Stock Option;

Letter of Comment No: 1629  
File Reference: 1102-100

Chairman Robert H. Herz,

I urge you not to require companies to expense stock options, especially at a highly unrealistic valuation.

The key arguments in favor of my position are:

+ Broad-based stock options benefit the well-performing rank-and-file employee - the general perception is that senior executives make a pile of money through stock options - this is definitely not true in companies that have a broad-based stock option plan such as the one I work for - Cisco Systems.

+ Requiring companies to expense options might very well eliminate the practice of broad-based options and restrict it to a handful of senior executives. Ironically, this requirement may have the unintended consequence of narrowing the existing broad-based options.

+ Companies that issue options already pay a huge price in terms of the stock dilution (and the corresponding earnings dilution) that occurs. This requirement will at least double the punitive effect.

+ Asian countries that are emerging as strong contenders, especially in tech, such as India and China don't have any such requirements and actively encourage the use of stock options. There's already a huge compensation arbitrage between the US and these asian countries. If companies here have to substitute stock options with cash, this will only magnify the arbitrage and shift more innovative tech jobs to these countries.

Accounting rules, no matter how they are defined, are a consensus opinion that is meant to make it easy for investors to evaluate the company as an investment and keep a level playing field for all the companies. Making such rules with no consideration for the consequences don't help anyone - worse, such rules could end up hurting everyone.

Sincerely,

Ravi Ravishankar  
Cisco Systems  
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