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Letter of Comment No: 1508
File Reference: 1102-100

From: Sarat Khilnani [skhilnan@cisco.com]

Sent: Thursday, April 22, 2004 1:58 PM

To: Director - FASB

Cc: savestockoptions@cisco.com

Subject: File Reference No. 1102-100 - Expensing of Stock Options

### To:Chairman Robert H. Herz.

### Dear Mr Herz;

I am writing to express my opposition to the proposal to expense stock options. I believe that this proposal is without merit and puts US corporations at a disadvantage in the global marketplace. Some of the other reasons why I oppose the proposal to expense stock options are as follows:

## Accounting Issues:

- 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.

# 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'.

Please contact me if you have any questions.

Sincerely

Sarat Khilnani

#### Sarat Khilnani

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