

**Stacey Sutay**

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**From:** Ashok Chippa (achippa) [achippa@cisco.com]  
**Sent:** Monday, April 19, 2004 7:33 PM  
**To:** Director - FASB  
**Cc:** achippa@cisco.com  
**Subject:** File Reference No. 1102-100 (Employee Stock Options)

To,  
Chairman Robert H. Herz

Dear Sir,

I strongly believe that stock options have driven innovation and productivity in the 90s. Expensing stock options at artificially high valuations will hinder much of this innovation and will jeopardize technology leadership of U.S companies. From my personal experience, broad based employee stock options allow all employees to benefit from the success of a company, instead of a few top officials. Employee stock options give the employees certain stake in the company, and motivate the employees to do their best for the success of the company; this is what is needed for U.S companies to succeed in the global market. Even as Chinese companies are embracing this concept, U.S is trying to eliminate it!

When stock options are granted, no company assets are used, so does it really meet the definition of an expense? How would one value this expense? The future price of the stock, the exercise date, and the gain/loss an employee makes, via such an exercise, are extremely hard to predict. Many a time, the options may have expired without any gain, yet, they had already been expensed! When options are exercised the dilution of EPS is already accounted for, and isn't that the true cost of a stock option?

I believe expensing broad based stock options is like throwing away the baby with the bath water. It's a misguided solution to the problem of corporate malfeasance by a few top officials; why punish the entire employee base for the mis-conduct of a few top officials? In today's economic environment, the number one rule should be 'first, do no harm'. So please do not make the mistake of expensing the stock options, especially at unrealistically high valuations.

Sincerely,

Ashok N. Chippa