Letter of Comment No: 4306 File Reference: 1102-100

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From: Samir Sood [ssood@cisco.com]

Sent: Monday, June 14, 2004 12:37 PM

To: Director - FASB

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

## Dear Chairman Herz:

We live in a technology era of innovation, this is one of the main reasons that keeps the USA ahead of other nations. U.S. companies need stock options to compete with other countries on a global basis. (Example: Indian 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'. If the FASB takes away the ability of giving stock options to all employees by expensing options, the USA will certainly see more job flight overseas and the USA will not be a leader in innovation in the long run.

I urge you and your team to take a hard strong look at the ruling of expensing options and work against this proposal by the FASB as the following are the accounting issues companies such as ours will face. Firstly, there is a artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity. Second, Stock options do not meet the definition of an expense because they do not use company assets. Finally, the true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

Thank you for your time and consideration.

## Regards,

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