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Letter of Comment No: 1183 File Reference: 1102-100

From: Kiran Vishnubhatla [kvishnub@cisco.com]

Sent: Wednesday, April 21, 2004 1:48 PM

To: Director - FASB

Subject: File Reference No. 1102-100: EXPENSING STOCK OPTIONS

Chairman Robert H. Herz,

I request you **NOT** to expense the stock options for the following reasons.

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'.

thanks, Kiran