Letter of Comment No: 174 File Reference: 1102-100

## **Stacey Sutay**

From: rasik [rasik@cisco.com]

Sent: Monday, April 19, 2004 6:18 PM

To: Director - FASB

Cc: rasik

Subject: File Reference No. 1102-100

## Chairman Robert H. Herz:

I have recently learnt that FASB is considering treating stock options as an expense. To me personally, this idea seems counter-productive to everything that I have learnt about Free Market Economy and is likely to negatively impact the competitive environment under which our nation's economy grows. It also seems to me that FASB may be reacting in a knee-jerk fashion to address an issue that to me is fundamentally not an issue. Stock options provide a very high-level of incentives to individual employees to work hard and increase productivity. It also gives an employee reasons to stick around and continue to excel in his/her environment for the mutual success of both the employee and the employer. In addition, some of the basic premise used by FASB for treating stock options as an expense seem to be flawed in the worst case, and not making sense in the best case. Some of the examples are:

- 1. The artificially high valuation for a stock option required by FASB
- 2. Stock options do not meet the definition of an expense because they do not use company assets.
- 3. The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.
- 4. U.S. companies needs stock options to compete with other countries on a global basis.
- 5. 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'.

In my personal case, offering of stock options by my employer has given me an added incentive to work hard and achieve results. It has also helped to foster a long-term relationship with and loyalty.to my employer If FASB decides to go ahead and start treating Stock Options as an expense, I can see the negative impact it will have on the economy of the Silicon Valley in general, and on my long-term relationship with my employer. I hope you will give proper thought before making such a huge change.

Thank you.

-Rasik Desai

-Rasik Desai Software Development Manager

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