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Letter of Comment No:678
File Reference: 1102-100

From: Nihar Desai [ndesai@cisco.com]
Sent: Wednesday, April 21, 2004 12:32 AM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100 (SAVE STOCK OPTIONS)

Chairman Robert H. Herz,

Please do not expense stock options, especially at an unrealistically high valuation. Stock options has motivated me a lot to work harder. Also, they have enabled my family to have good quality of life which would not have been possible without stock options.

Stock options are really important because of 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'.

Thank you,
Nihar Desai

4/21/2004