Letter of Comment No: 924
File Reference: 1102-100

From: Ramakrishnan Nagaraj [ranagara@cisco.com]
Sent: Tuesday, April 20, 2004 1:15 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Stock Options - File Reference No. 1102-100

Attn: Chairman Robert H. Herz

Sir,

I understand that late last month, the Financial Accounting Standards Board (FASB) released a draft plan stating that they intend to treat stock options as an expense. I would like to point out that this decision if taken, impacts me personally. Some of the points I would like to highlight on this issue are

- 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.
- 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'.

Taking the above into consideration, I urge you not to treat stock options as an expense.

Thanks,
Ram

Ram Nagaraj
PM - IT Communities
IT Global Shared Services
Tel: 408 853 7278 Mobile: 510 364 1638