

ikon**Letter of Comment No: 1276**
File Reference: 1102-100

From: Srikanth Narasimhan [snarasim@cisco.com]
Sent: Wednesday, April 21, 2004 2:35 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100, Chairman Robert H. Herz

To: Chairman Robert H. Herz,

This is in regard to the Financial Accounting Standards Board (FASB)'s draft plan stating that they intend to treat stock options as an expense. I am a U.S.- based employee of Cisco Systems and i would like to urge you not to expense stock options and here is why.

To mc, the stock options have been the primary motivator that drives the employee culture of making my day-to-day activities to align with my company's shareholders interests. That is what makes me think beyond not just delivering my project but also innovate to make our customers more productive and thus contribute to the growth of the economy. From a personal standpoint, although i have not exercised any of my stock options thus far, i and my family count on it to meet the education goals of my children; else we jeopardize our children's chances of getting a good education and thus contribute to the US economy.

I realize that the key reason behind expensing the stock options is to improve the financial accounting. But there are flaws in the way FASB is approaching this problem due to the following reasons:

- 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.

One of the primary motivations for my family to immigrate to the US was to be part of the technology innovation and the way innovation was rewarded through stock options. I know many of my friends and families have gone through similar thought process. If FASB's draft plan is going to kill the very innovation that sustains the interests of employees contributing to the economy growth then i believe it will cause negative spiral effects that have far-reaching implications to the future of our wonderful country.

Chairman, i would like to urge you not to expense stock options.

thanks for your consideration,

Srikanth Narasimhan