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**To:** Director - FASB  
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Dear Chairman Robert H Herz,

I would like to urge FASB to NOT adopt a standard that would require companies to expense employee options at artificially high valuations. Adopting such a standard will result in companies shying away from making stock options available to the rank and file employees, as stock option issuance will severely affect the earnings numbers of the companies.

I would like to list several points about stock options:

1. Stock Option plans align the interest of employees with that of stockholders.

I have worked for several large Fortune 500 companies - Motorola, IBM, Nortel, and Cisco over the last 15 years, and have had the chance to work with and without stock options. In companies that did not have stock option plans, I felt like a detached employee taking orders from the bosses; while in companies with stock options plans, I really thought of myself as a owner

- asking myself how something could be done better so that processes were more efficient, and I also looked at the companies clients as my own clients.

About 6 years ago, I was working as a hardware engineer on a project at Cisco, which was subsequently cancelled due to market realignment. This resulted in a personal setback to my career, but, I was happy, because I felt that as an owner, I would have taken the same decision. My interests were aligned with those of the shareholders.

2. In an age of international competition, it is of the utmost importance that the powerful motivational tool of stock options not be removed from the arsenal of US companies.

The quality of the goods and services produced by a company can not be mandated by top-level management, and instead depends on the efforts of the common rank and file employees. I ask you what better way is there for companies to motivate their employees than to offer them the chance to become owners through stock options.

3. Stock Options are naturally expensed - any other way is artificial. Issuance of stock options naturally increases the number of stocks and results in a lower earnings per share. Causing companies to value stock options using a Black-Scholes type formula is imperfect because we all know that stock prices are very volatile and a good stock price of one year could easily be followed by a bad stock price the next year.

4. Employee wealth generated thru stock options results in a broad-based spreading of wealth and in net gain for society. Stock options from my current employer allowed me to purchase a home, and have provided me with a safety net which would allow me to support myself and my family if I were to lose my job. Stock options have allowed me to raise my level of living, and have allowed me to indulge in consumerism. Stock options have also allowed me to save up some money for my child's college education.

5. Stock Option Plans reflect the natural march of society.

- Agrarian societies had landed aristocracy.

- Industrial revolution resulted in factories with masses of overworked and underpaid workers. Common man could not afford to be an owner because of the capital requirements for setting up a factory.

- Eventually, issuance of stocks for public companies allowed common man to participate in the profits of capital ownership.

- Now, issuance of stock options has resulted in employees participating in company ownership.

I would like to thank you for considering my input, and would again urge that FASB NOT adopt a rule that enforces artificially high valuations of stock options.

Thanks and Regards  
Nitin Garg