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Letter of Comment No: 792
File Reference: 1102-100

From: Jk Krishnankutty [jkrishna@cisco.com]
Sent: Tuesday, April 20, 2004 10:40 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz,

I'm a five-year employee of Cisco Systems, Inc. I would like to bring to your kind attention via this short email that expensing of employee stock options should not be pursued, as it will limit my company's ability to provide me with stock options.

Cisco has provided me with stock-options on the day I joined and also on an ongoing basis. The gain which would be realized from exercising of these options is considerable. It was, and still is, a very big motivating factor for my employment with Cisco. I know for sure my colleagues have similar feelings too. Many colleagues vouch that they couldn't have bought a home or a new car, but for the stock options. My manager, who has a large family, relies on stock option exercise in order to travel to his hometown in Europe for his vacation. As you can see, stock options are no longer a get-rich-quick scheme for most of us, but serves very basic and practical needs.

I understand that your organization is keen on enforcing the expensing of employee stock options and the expense appears to be calculated considering employee stock options to be on par with stock options which are available in open market. While your office definitely needs no primer on options, I would like to humbly point out that there are many differences between employee options versus options available in the market, hence employee stock options ought to be treated differently.

I'm not an economist by training, but two things would most likely happen if employee stock options are expensed -

- a. Companies would stop providing options to rank-and-file employees like me. They will lose their edge in the job market. US will fall behind the rest of the world in high-tech and hence economically too.
- b. Rare possibility, but some companies may still be brave enough to provide employees with options and expense them, but eventually their balance-sheets would erode and force them to cul staff or go out of business. Again a bad thing for the US economy, which, at this moment is cautiously peeking out of a recession.

Expensing options seems to be bad for the economy of this Great Nation, any way we look at it. Hence, please do not press for the same. Let us keep the United States going on all cylinders!

Thanks,
Jk

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