

Stacey Sutay**Letter of Comment No:** 292
File Reference: 1102-100

From: Kumar Ramachandran [kumramac@cisco.com]
Sent: Monday, April 19, 2004 6:53 PM
To: Director - FASB
Subject: File Reference No. 1102-100: NO to Stock Option Expensing

Chairman Robert H. Herz,

I wish to voice my serious concerns on File Reference No. 1102-100 regarding options expensing. Expensing stock options this way is a serious blow to the working class, to the competitiveness of American industry and a poor, misdirected response to the accounting scandals of the past few years.

I have based my decisions on employment on the availability and quantity of stock options. Companies like Cisco that do issue significant percentages of stock to rank and file employees have set very high standards in doing so. Stock options are a very powerful tool in creating and fostering teamwork. Often times when individual or departmental incentives clash with corporate goals, stock options help employees stay focussed on the larger picture. I have often times been able to commit my colleagues across departments to greater teamwork by reminding them of the common good and the how they materially benefit from the common good by way of stock options.

This is quintessential the "American Way" - the Silicon Valley boom was created on the backs of people working 16-20 hours each day, 7 days a week voluntarily - it was stock ownership that made people excited about working hard and being able to participate in the fruits of their labor. The difference between incentives that are stock option driven and cash driven are akin to those between ownership and renting. How much "beyond the duty" do you think an hourly paid "rental worker" would be willing to go? And how much "beyond the duty" would you go if you owned the company. The answers to these two questions alone should make it clear that stock options create a sense of ownership, foster innovation and make people undertake their work with passion.

You should be encouraging this phenomenon. This is a bipartisan issue - Democrats love it that workers have greater ownership of the companies they work for. Republicans love it that businesses have the freedom to create incentives that foster a culture of innovation and responsibility. What is your world view that you dislike the widespread adoption of stock options? It benefits employees, it benefits the corporation and hence the shareholders. Ask any shareholder of Cisco if Cisco issues stock options and you will see that he knows that Cisco does so. So where is the issue of transparency here?

The most fundamental principle in accounting is never to guesstimate. This has been a golden rule that has held accounting in good stead over many years. Why violate such a fundamental principle and come up with fuzzy, guess-based numbers that will be used to expense stock?

I cannot think of a single good reason for undertaking stock option expensing. I urge you not to do so. In these times when American industry and the American worker face intense global competition, please do not weaken our hand.

-Kumar Ramachandran