

ikon

Letter of Comment No: 2231
File Reference: 1102-100

From: Tom Hartman (tohartma) [tohartma@cisco.com]
Sent: Tuesday, May 04, 2004 7:45 PM
To: Director - FASB
Subject: File Reference No. 1102-100, addressed to "Chairman Robert H. Herz"

Chairman Herz,

I am writing today to urge you to consider not to require companies to expense stock options, especially at an unrealistically high valuation. The valuation processes that you are proposing in FASB would make it difficult for the company I presently work for, Cisco Systems, to continue with a broad-based employee stock option program. This program allows common individuals like myself, through hard work and dedication, to provide value not just for employees, investors and customers, but also to maintain a competitive edge in technical competence here in the US. There are a host of reasons why I think expensing options is a bad idea for the US, but I would like to focus on the danger to our technical competence in the global marketplace and our ability to graduate skilled high-tech educated young Americans from our Universities.

I entered the technical work force slightly over 10 years ago after graduating with a BSEE because of the prospect of faster advancement in high-technology relative to other fields. My Degree in Electrical Engineering was not easy, and I can safely say I was a minority of my graduating class as a white male. I was not supported by loans or family to obtain my degree, and had to pay for my education myself, so it was important to me to graduate in a field where there was vast income potential. One of the reasons I was drawn to the field was because of the incentives associated with stock and options explained to me by one of my mentors at IBM. I realized it was a way to increase my personal compensation and contribute to the success of my company by working hard. I have heard many government officials talk about the need for incentives to get students into technical fields and the general lack of interest in Mathematics and Science studies in the lower education grades. Employee stock options is a real incentive when a young person is considering this field, because it has fueled the innovation of Computing and Internet technology for the past 30 years. That is unusual for a "non professional" field, and certainly you will agree would generate the interest to pursue those academic directions. How would you expect to increase that interest, if there is a reduced incentive for those graduates in the future? The high-tech field of study is very rigorous, and if the payoff is a normal job without the incentive of an option to increase personal net worth with a peice of personal ownership in a company, I would be certain that the enrollments of lower class students into the technical fields in the US will see further decline. It is well known that Asian and Indian schools are aggressively pursuing the technical disciplines in their upper education curricula. If your proposal to expense options goes through, I would expect that the interest in those degree fields in the US will wane even more and the US will ultimately fall behind in true technical competency. Chinese companies already aggressively compete with US companies in the worldwide marketplace based on price, and they do not treat options as an expense. We are able to compete with technical maturity and additional value, but that edge may be erased if incentives are not provided to keep our skill sets advancing.

I have spent time with many high school and college students and use my experience with stock and options both in the classroom and outside with potential tech candidates to recommend the high-tech field of study to them. I assure you that without this important incentive, we will not be the innovative economy we have been and the brightest students will not choose the high-tech field as an option, greatly decreasing our ability to compete in the worldwide economy.
Thanks for your consideration..

Tom Hartman

Tom Hartman

