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From: Leo Scrivner [lscrivne@cisco.com]
Sent: Tuesday, June 29, 2004 7:01 PM
To: Director - FASB
Subject: Employee Stock Options

Letter of Comment No: 5725
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Mr. Chairman,

On behalf of my family and friends, I am asking you consider the negative effect of expensing stock options. I believe one of the things that got the ball rolling in the direction of expensing stock options are post Enron reforms, specifically compensation at the executive level. I do not believe expensing stock options fixes this problem. More important, considering 94% of all stock options are owned by people below the top management ranks, whatever reform is taken should be done without penalizing 94% of rank and file non-executive employees.

While it may appear as an insignificant administrative accounting activity, the reality is that expensing stock options will have a severe impact on ordinary people. Expensing stock options will in essence eliminate broad based employee ownership programs. Stock options have afforded non-executive employees otherwise unattainable opportunities. The opportunity to enjoy equity ownership, the opportunity in sharing of financial rewards and share in their company's success, which in turn has allowed for the ability to contribute, to give back, to the communities we live in. Stock options have given ordinary people the ability to realize home ownership, the ability to send our children to college, to care for elderly parents or in my case it has given me the opportunity to set aside money so that my family has the comfort in knowing my children will be able to go to college should I for some unforeseen reason not be able to financially provide for my family - a comfort my parents were not able to do and did not do. The reality is that whether we expense stock options or not, senior executives will continue to receive stock options while rank and file employees will not. Expensing stock options will have exactly the opposite impact and wrong incentive on executive compensation. It does not fix the problem but rather creates more problems. Not only will executive compensation continue to be an issue, the difference between executive pay and an average employee's pay and purchasing power will become a greater gap. Continuing to widen this gap is a recipe for disaster in the long run and in my mind cannot be the effect or intent of post Enron reforms.

Stock options are subject to lengthy vesting periods and are exercisable if the stock price rises above the strike price. If the company does well, employees/owners share in the rewards. I have to believe that today's investors are sophisticated enough to understand stock options and the potential impact, institutional investors certainly understand this. Broad based employee ownership and equity through stock options helps shareholders. By expensing stock options, in the long run, not only will rank and file employees loose, shareholders will loose and ultimately communities employees live in and the economy will loose.

By expensing stock options the US will also loose a key competitive advantage and will be forced to compete on grounds non-US companies prefer. No different than how this great country of our was found, as we look around us we find numerous phenomenal companies that started out as nothing more than an idea and the willingness of dedicated people with "skin in the game", also know as ownership, to take on significant personal risk with the belief that their hard work would bring rewards in the long run. With this concept, companies have been able to attract and retain top talent without having to raise large amounts of capital. Expensing stock options will destroy this. It will result in companies eliminating broad based employee stock option programs and severely limit the birth of great ideas unless the people with that idea have large amounts of capital on hand - in short it will stifle innovation. Let's not take this away from our great

country.

The People's Republic of China, a communist country, a sleeping economic giant that should be considered a threat is already attracting talented people with stock options. It does not look like China will force companies to expense stock options. This concept will soon create global competitors that will be free to offer stock options without the requirement of expensing and gain a competitive advantage. If a communist country can understand the value of employee ownership, the value of attracting top talent through stock options, and the tremendous potential for innovation, why can't we or why can't we be the leaders?

Again, I urge you to consider the negative effect expensing stock options on the lives of ordinary people, our rank and file employees across the world.

Thank you for your consideration.

Sincerely,
Leopoldo Carrillo Scrivner