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Letter of Comment No: 2324
File Reference: 1102-100

From: Gary Keilen (gkeilen) [gkeilen@cisco.com]
Sent: Thursday, May 13, 2004 1:22 PM
To: Director - FASB
Subject: Expensing Stock Options - Impact to Employees

File Reference: 1102-100

Gary Keilen
Cisco Systems, Inc.
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Austin, TX 78759-2220

May 12, 2004

Mr. Robert H. Herz
Chairman
Financial Accounting Standards Board

Dear Mr. Herz:

I am writing to express my opposition to the current FASB draft plan to treat 100% of corporate stock options as an expense.

It is clear that the main intent behind expensing stock options is to help eliminate unethical behavior by corporate top executives. Like you, I strongly oppose this behavior and agree that our Representatives should take any and all necessary steps to curtail such abuses.

However, I'm very concerned that the FASB stock option expensing plan, as it is currently written, will result in an unintentional byproduct which will punish rank-and-file employees. The plan will force corporations to expense *all* stock options, not just those made to those at the executive level. The practical effect will be that corporations will drastically reduce or eliminate *all* employee stock option programs, including stock option programs offered to lower level employees, a class of employee much lower than that implicated in corporate abuse scandals. Individual employees do not receive the amount of stock options which cause public concern about corporate fraud. Rather, these employees, like me, are offered stock options as a means of productivity incentive and these options help us support our families. The required expensing of *all* stock options will have critical consequences that resonate well beyond the impact they will have to our senior managers.

I have been an employee a Cisco Systems for over 3 ½ years. Cisco offers a broad based stock option program to *all* employees (not just senior managers). The ramifications of the current FASB plan would reach me personally. I have three young children (all under the age of 6). I am counting on using my employee stock options to fund my children's higher education. I already contribute as much as I can afford to a 529 College Savings Plan. However, without proceeds from stock options, the 529 contributions will not cover all educational expenses. If stock options are discontinued, I will be unable to afford my children's education.

I am an average American worker trying to provide for my family. I do not use stock option proceeds to purchase luxury items or vacation homes. While I agree that corporate fraud and scandal need to be addressed, the plan to expense stock options would grossly distort the intended results and would do more harm to the average American than it would good.

5/13/2004

I support the Stock Option Accounting Reform Act of 2003. By making corporations expense stock options for top officers, these bills (S.1890 & H.R. 3574) will help curtail abuse by senior corporate officers but will not simultaneously punish an enormous group of American workers.

Please take into account the far reaching ramifications of making American corporations expense all stock options. Do not punish rank-and-file employees for the behavior of a few unethical corporate executives.

Sincerely,

Gary Keilen