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From: Jason Williams [jwill@cisco.com]
Sent: Thursday, April 22, 2004 9:57 AM
To: Director - FASB
Subject: File Reference No. 1102-100 - Expensing Stock Options

Letter of Comment No: 1467
File Reference: 1102-100

Chairman Robert H. Herz,

I am writing you to express my views concerning the FASB's recent activities with regards to requiring companies to expense employee stock options. As an employee of a company that distributes broad-based stock options, I am concerned about the negative effects that such a requirement will have. I realize that the FASB is under a lot of pressure and scrutiny because of recent catastrophes such as Enron and WorldCom. However, I don't believe that a requirement to expense stock options would have resulted in any different outcomes for these catastrophes. I believe that unethical people are going to find a way to be unethical, no matter how many rules or regulations are put in place. While I am a definite proponent of rules, I am concerned that the negative effects of this requirement are not being given proper emphasis.

I believe the greatest impact will be to the employees of companies where broad-based options are a large part of the compensation plan (such as Cisco where I work). Because of options that I have received since working at Cisco, I hope to be able to pay off all of my current installment debt (including cars and student loans) by the end of 2005. This will be a great financial benefit for me and my family. I don't think anyone knows what the future will really hold with regards to the economy and the job market in general. Being able to pay off our debt will be a huge financial security blanket for myself, my wife and our four children. There is no way that we would be able to achieve this in such a short time without employee stock options. In your address to the Subcommittee on April 20, 2004 you mentioned that companies such as Wal-Mart, Netflix and Home Depot have indicated that they would continue their broad-based stock option plans even if expensing is required (although no reference is made as to whether they will continue them at the same levels as they currently do or not). However, I believe that the list of companies who greatly reduce their broad-based options or stop them altogether is much, much longer.

I also believe that the effect of not expensing stock options is over-exaggerated. Although not directly shown on an income statement, the true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. Yet, I get the impression that expensing stock options is being viewed as a "magic bullet" to address corrupt and unethical behavior by upper executives. I am concerned by quotes such as the one from David and Nancy Gabrielsen, referenced in your address to the Subcommittee, - "We encourage you to . . . require employee stock options to be counted as an expense. If you don't take this action who do you think will make these greed-monger's start accounting for their massive profits? Do the RIGHT THING. Damn it! . . ." - I believe that reality is that top executives (the greed-monger's) will continue to get the same levels of compensation they are getting now and the people who will really be affected are the low- to mid-range employees. I view the stock options I receive as a huge motivation to ensure that I do all that I can to contribute to the success of the company.

I appreciate all the hard work that the FASB has done and is doing to ensure that business is conducted in a fair and ethical manner. In determining what steps to take when moving forward in today's economic environment, the number one rule should be 'first, do no harm'. Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. Please do not make the many suffer for the mistakes of the few.

Sincerely,

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