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Letter of Comment No: 1194  
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**From:** Ellen Fowler (efowler) [efowler@cisco.com]  
**Sent:** Wednesday, April 21, 2004 2:28 PM  
**To:** Director - FASB  
**Subject:** Please revoke your recommendation for stock options to be considered an expense

Hello,

I am writing to you to express my concern over the recommendation to expense stock options. I work for Cisco Systems, Inc., and have been the recipient of a number of stock options since I joined the company in 1996. I'm not a corporate VP or executive level employee, but a mid level employee. The stock options that Cisco has granted me have made a significant difference in the quality of my life. By that, I don't mean that I became a millionaire -- not even close. But the value of those options will at least allow me to consider retiring at the age of 60 (I'm 55 now) -- otherwise I'd be looking at a much later retirement. I'm a single mother who raised two daughters on a salary that covered me week to week. I joined Cisco in 1996 and received some options -- those options contributed significantly to their college education. After all the years of hard work I am able to leave the balance of my options untouched -- which will now fund a reasonable retirement (certainly not extravagant). Changes to the way stock options are treated from an accounting perspective would make it very difficult for Cisco to continue broad-based employee stock option programs like the one we currently have. Part of this reform (I believe) was related to the enormous stock options given to executives -- I would suggest that the recommendations made will put stock options in the hands of only well to do executives. The average worker will not receive them -- the senior corporate executive will.

This action will also have a direct impact on the productivity of those companies who do offer options to a broad employee base. The artificially high valuation that FASB has suggested will eliminate stock options as a tool which has driven innovation and productivity.

Additionally:

- Stock options do not meet the definition of an expense because they do not use company assets.
- The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.
- U.S. companies need stock options to compete with other countries on a global basis. (Example: Chinese companies use stock options and they do not treat them as an expense.)
- Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'.

Once again, as a middle class taxpayer, trying to meet expense of a fairly simple lifestyle, the stock options that I have received have raised the quality of my life and my children's lives. Employee ownership makes a huge difference in the way people work, the pride they have in their work and company; and it makes a huge difference in productivity -- in the long run all of this is good for the country.

Please do not go forward with the plan to expense stock options!!

Sincerely,  
Ellen Fowler