

ikon

Letter of Comment No:1101  
File Reference: 1102-100

---

**From:** Patrick Tate [ptate@cisco.com]  
**Sent:** Wednesday, April 21, 2004 9:10 AM  
**To:** Director - FASB  
**Subject:** Expensing of Stock Options, File Reference #1102-100

To the Chairman, Robert H. Herz:

I am writing you regarding the draft plan (File Referenc #1102-100) to begin requiring corporations to expense stock options. In a time when the economy has languished, I do not think it would be wise to take such action. Indeed, it is my feeling that requiring corporations to expense stock options would force companies to give less or eliminate broad-based stock option plans altogether.

I am a software engineer at Cisco Systems, a company that has thrived in part because of its broad-based stock option plan. In such a plan, the average employee, be it engineer, administrative assistant, manufacturing technician, 1st-level manager, or executive, is able to benefit from ownership in the company. The cost is already accounted for to Cisco and other similar companies by the dilution of earnings per share. When stock options are exercised, employees also pay income tax and are often pushed into higher tax brackets resulting in increased tax money flowing into federal and state government.

I feel that such broad-based stock option plans have been a tremendous fuel to the high tech economy of the US in the booms of the 80s and 90s and continue to fuel morale and innovation as we enter the 21st century. Companies such as Cisco, Microsoft, Intel, Sun Microsystems, and my former employer IBM, are spreading the seeds of company ownership amongst its employees with such stock option plans. Other companies outside the high tech arena, such as Home Depot headquartered here in my home town of Atlanta have also made broad-based stock option plans a signature of their compensation packages to the average employee. People want to go work at these companies in large part because of the chance of feeling like an owner of the company. Once you work for such a company under such a plan you realize that it is among the best programs American companies have utilized for fueling employee motivation, morale, and job satisfaction.

Mr. Chairman, I humbly ask you to please give consideration to the value of stock option plans to America's workers, its companies, and its competitiveness in a global economy. I feel it would be a dire mistake to begin requiring America's corporations to expense stock options. Such a requirement would force companies to essentially eliminate the plans altogether. It would not simply be corporate executives that pay the price for such a requirement, but the average employee in these companies would be most effected.

Thank you for considering my thoughts and reading my letter to you.

Sincerely,  
Patrick Tate  
Software Engineer  
Cisco Systems, Inc.