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Letter of Comment No: 598
File Reference: 1102-100

From: Karl Towle (ktowle) [ktowle@cisco.com]
Sent: Tuesday, April 20, 2004 10:09 AM
To: Director - FASB
Subject: Stock option expensing



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To: Chairman Robert H. Herz
Financial Accounting Standards Board
File Reference No. 1102-100

From: Karl Towle
Hardware Engineer
Cisco Systems, Inc.

Dear Chairman Herz,

I am writing to implore you not to proceed with the plan for requiring the expensing of stock options granted in broad-based employee stock option plans. This ill-advised move would not only hurt great numbers of rank and file employees like me, but would damage an important engine of our economy. The harm done would far outweigh even the most optimistic perceived benefits.

The sense of ownership and shared reward that I feel through both the stock option and employee stock purchase plans motivates me to be productive and to contribute as much as possible to the success of this company. I have worked in companies where there was no such connection, and the level of productivity in those companies was much lower.

Many of the stock options that I have been granted, when I was hired and in the early years of my employment, are now worthless and will never have any value or be exercised. To think that these would have had to be booked as an expense by the company, especially at the absurd valuations that the proposed models call for, is ludicrous. On the other hand, now that I have options granted more recently that are vesting with some value, and can realize some gains on stock purchased through the ESPP, these provide a source of capital to offset my stagnant salary, which has not risen in over 4 years due to the downturn in the industry and lack of wage pressure. Not only has this benefited my family, but has enabled us to continue to help drive the economy.

The pace of white collar offshoring has accelerated alarmingly recently, and the possibility of my job and those of my fellow engineers being sent abroad is frightening. To increase this possibility by making stock option plans unaffordable for US workers, but even more attractive as a low-cost compensation method for off-shore workers, is a direct assault on us and the economy.

Thank you for your careful consideration of this issue.

Karl Towle