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From: Tom Truesdell [ttruesde@cisco.com]
Sent: Thursday, June 24, 2004 12:29 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
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Letter of Comment No: 5249
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Chairman Robert H. Herz,

I urge the FASB to refrain from requiring employee stock options to be treated as an expense.

I have worked for four technology companies over 30 years in mid-management positions or below, and each company has provided either ISO or NQ stock options to a large population of its employees, if not to all. Sometimes those options have proved to be of value to me, and sometimes not, but in *all* cases I can strongly attest to the fact that the possibility of financial reward has greatly and positively influenced my motivation to contribute to my company's success. The level of effort that I and my fellow employees exert is vastly greater than it would be otherwise. This is one of the fundamental keys to the success of technology industries: highly motivated people that know that their efforts to make their companies competitive and profitable will result in a share of the reward. This is what continues to drive the amazing innovation, competitiveness, and growth in technology in the United States.

From the earliest days of Hewlett-Packard, the technology industry has had an egalitarian culture that still prevails today. Stock options in our industry are broad-based and not limited to a few select executives. Employees know that the success of their company will result in reward not only for the officers, but for themselves as well. I realize that "executive abuse" of stock options has occurred in other industries, and those abuses should be addressed, but I urge you to distinguish between those situations and the use of options as a broad-based tool used to drive innovation by encouraging a highly motivated force of rank-and-file employees. Requiring options to be expensed will absolutely kill this use of options and do great damage to an industry which has been among the most positive forces in the economy of our country.

Please do *not* require option exercises to be expensed, because such exercises are not even really a true operating expense (consuming cash or other company resources), and because broad-based options used as an incentive for a motivated workforce are actually a great benefit to shareholders (who routinely vote to approve such option plans). When employees' interests are aligned with shareholder interests, both stand to benefit, as does the technology industry and the American economy. Broad-based options encourage this alignment. Please don't destroy them.

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