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Letter of Comment No: 1192
File Reference: 1102-100

From: Patrick Madden (pmadden) [pmadden@cisco.com]
Sent: Wednesday, April 21, 2004 1:08 PM
To: Director - FASB
Subject: Stock Option Expensing

Dear Chairman Robert H. Herz,

This is a short email asking you to reconsider forcing companies to expense stock options (File Reference No. 1102-100).

I am a co-founder of a small private software company employing fifty people. Throughout our thirteen years of existence, stock options, both incentive and non qualified have been used to give ownership of the company to our employees. Without them, we would not have been able to attract or afford talent from all over the world. As a result, in 1995, we were one of seven companies in the country to receive funding from National Institute of Standards and Technology - Advanced Technology Program (ATP)(*) Although all employees receive options, many of them have gone unexercised with employee turnover including my own. Why should they be expensed at the beginning before there is a cost to anyone. You may as well enable companies to book a sale when it is ordered rather than when it is shipped. I'm no accountant but I fail to see a major difference.

For the past five years, I have been an employee at Cisco Systems, and I can state very clearly that options play a strong incentive role. I look at them as long term investments and possibly my pension. In today's global economy, the pension is a dinosaur. How are people to ensure long term financial security without some extra help and incentive.

On another note, I would not be totally against expensing options for the very top executives who get the lions share of the options without hurting the little guy. It is feared and likely, that if options are expensed there will be another large set of layoffs with more high paying jobs going overseas. That is a tax base that is also gone as well.

I understand you have an important decision to make and I pray you make the right one.

Thank You,

Patrick Madden
Technical Leader
Cisco Systems, Inc

Co-Founder Tom Sawyer Software

* U.S. Department of Commerce, National Institute of Standards and Technology, Grant Winner, "Graph Visualization Technology" Advanced Technology Program (ATP) grant (95-09) Component Based Software Technology Development, 1995.