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Letter of Comment No: 961
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From: Toteda, Steve [stoteda@cisco.com]
Sent: Tuesday, April 20, 2004 1:51 PM
To: Director - FASB
Subject: Attn: Chairman Robert Herz, reference No. 1102-100

Dear Chairman Herz,

I am writing this letter to urge you to reconsider your organization's recent proposal to change the way stock options are expensed. As an employee in the technology industry this issue directly impacts my family and my own well being.

Despite what you may have understood about "high-tech" employees, my lifestyle is far from glamorous. I struggle monthly to pay my mortgage on a condominium that is more than likely the size of your garage (in a state with one of the highest median home prices). My wife also works, from home thankfully since we have a 15 month old son. In our case, full time day care would cost almost as much per month as my salary. Throughout my career in the communications industry, I have been fortunate to have had the opportunity to work for companies, such as Cisco Systems, that believes in employee ownership as a strong incentive to a more productive work force. I have seen firsthand the powerful effects of this, and I also had great hopes of reaping big stock option gains. However, the last few years of a serious industry downturn have rendered worthless most of the early options granted. This, despite what I had read about the long term value of stock options. It seems to me, and perhaps this is misguided, but the options I receive now may actually stand a chance to appreciate over time and I will be able to use those gains to begin saving for my son's college education.

Your organization's proposal would very seriously impact my future as well as my son's. I have never worked at a company that offered a fixed benefit retirement plan. Clearly, I should not hold out hope that pensions will return to the modern cooperation. Sadly, the value of my 401K, having been "conservatively invested", is no larger today than it was in 1998. I do have the "comfort" of statements from 2001 that show pretty nice gains that have since evaporated. Since your options expense plan values theoretical gains, why wouldn't the IRS begin to tax my retirement benefits based on theoretical gains as well? The outrage I feel is compounded when I pay a significant tax burden when I actually do exercise options. In an era where the wealthy continue to prosper, and even find their capital gains rate dropping, instead of my getting tax relief, I will simply be stripped of that portion of my total compensation.

It is clear that no matter how generous the company, options for my mid-level management position would disappear overnight with your new rules. It would likely take a decade or longer for my salary to begin to compensate for this loss of compensation. By that time I would be considering how to pay for retirement, which will clearly be impossible at my current rate of progress. Should I consider Social Security as an option?

Please reconsider your organization's position.

Regards,

Steve Toteda
Cisco Systems

4/20/2004