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Letter of Comment No: 587
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From: Lyle E. Bates [le Bates@cisco.com]
Sent: Tuesday, April 20, 2004 10:00 AM
To: Director - FASB
Subject: Please Don't Expense Broad Based Options

Chairman Robert H. Herz,

My name is Lyle Bates and I am an employee of Cisco Systems, Inc. I joined Cisco in December of 2000 as a first line manager of a network testing group in Research Triangle Park, NC. I am writing today to request that the FASB please consider further their plan to force expensing of broad based stock options. I've been in the technical field as a programmer, tester, and now manager for some 16 years now.

I've spent that time at Hughes Aircraft Company, Electro-Scientific Industries, IBM and now Cisco, of these companies some offered retirement plans, others offered broad based stock options. I've found that those companies that have offered broad based stock options, namely ESI and Cisco, have provided me the most challenging work environments where I've been surrounded by the most motivated engineers. I think this is the case because when employees are also owners of the company everyone is wanting to stretch further and work harder in an effort to reap the rewards of their hard work. Retirement plans or other forms of compensation can be viewed more as a fixed entitlement. No matter how hard you work, or appear to be working, you will basically reap the same reward. I think that it's also important to note that retirement plans today are becoming the extinct, especially within my industry. While at IBM, I experienced the restructuring of the retirement plan, I believe that was in 1999 or so. Talk about de-motivating. The expensing of broad based stock options will no doubt cause companies to dramatically reduce or eliminate these stock plans. This too, history will show, will cause a wave of de-motivation and ultimately a loss of productivity.

Why am I so big on broad based stock options? Well, with three children, and the long term of broad based stock options, my goal is to cash out in order to help pay for college expenses when that time comes.

While I participate fully in my 401(k) plan, I also see stock options as a way to pad my nest egg for my retirement years when my medical costs will be highest and my medical insurance coverage will be lowest. Then, of course, there are those unexpected events that occur from time to time where some extra money is needed. Luckily I haven't had any of those yet :-)

In closing, I think that expensing broad based options is the the wrong thing to do. It will hurt my employer, it will hurt the engineers working for me, and it will hurt me. I do not believe that CEO's and other top executives of companies (who fall under different stock option plans) will be impacted nor hurt by this decision, just us little guys.

A company's executives are the ones who have been the root cause of recent debacles such as WorldCom, Enron, etc. That is were the focus should be, not on me and the engineers within my group.

Sincerely,
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