

Stacey Sutay

Letter of Comment No: 334
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From: Robert Carfano [rcarfano@cisco.com]
Sent: Monday, April 19, 2004 10:07 PM
To: Director - FASB
Subject: Stock Option Expensing

Dear Sirs,

As an Employee in San Jose California, I'm writing this email to plead with the FASB to reconsider their position on expensing stock options. In our environment stock options are germane to Silicon Valley employees and when distributed fairly are a driving force for innovation, teamwork and a overall motivator as allow employees to have a stake in the success of their company. Cisco has been very generous with options employees at all levels and has fostered a great work environment. The whole discussion around stock option expensing in my opinion is purely politically driven with no good way to actually value the options correctly. Also, I don't feel expensing options will do anything to stave off abuses by company executives, but will hurt rank & file employees, especially in the high tech industry. Please consider the following points below before enacting a final decision on option expenses.

I took a chance and moved to California to work for a Silicon Valley company as they treat all employees as stake holders in the companies future. I can tell you that after 25 years in the industry, it is the best model I've experienced.

Stock options are part of the ability of the company execs. to treat regular employees as stakeholders. I understand that this was somewhat of a gamble, but didn't expect a political "hot potato" to destroy my future dreams of paying for my kids education and securing my retirement.

- Stock options enable regular U.S employees from system administrators up through management to be stakeholders in the company.

- In the last two years many executives have left companies or down sized workers leaving high priced options on the table. If options were expensed at some pre-conceived value the fact that they are not exercised may actually add to the bottom line? What value does one place on options that were at \$50 two years ago and have a fair market value of \$10 today?

- Expensing options will drive more high tech jobs off-shore, which will have a negative effect on engineers and engineering talent in the U.S. In Californi in particular this will have a devastating effect on the overall ability for High Tech companies to compete with foreign owned companies. It will drive venture capital away from U.S. companies.

- High Tech companies do not have good pension plans or benefits. Value from Employee options are the main mechanism to help them with future expenses such as buying a house, college education, and retirement offset. Employees understand this is not a given but if the company is successful there if some payback. It allows employees to believe in their company and as i mentioned drives hard work and innovation. It also minimize bickering, back stabbing and "position" politics because we are all part and parcel to the success of the company.

- I have not seen any option abuses from executives in Silicon Valley.

Minimizing executive stock option handouts or accounting of options for the top 10% may be considered, but please do not penalize regular employees. As i mentioned you will be mostly hurting people down the functional chain as they have much to loose if options are expensed.

I will also ask our Governor and representatives to Congress to fight stock option expensing.