Stacey Sutay

Letter of Comment No: 52)2 File Reference: 1102-100

Subject: FW: A Plea to reconsider expensing of Stock Options

----Original Message-----

From: Bill Carey [mailto:bicarey@cisco.com] Sent: Friday, June 11, 2004 10:15 AM

To: Director - FASB

Cc: savestockoptions@cisco.com; 'Bill Carey'

Subject: A Plea to reconsider expensing of Stock Options

To Whom it May Concern:

I am writing to urge you to reconsider the FASB's intention to treat stock options as an expense.

After 23 years in the high tech industry, I have seen the rise and fall of a number of high tech markets and companies. In those years I have been part of small start ups as well as established market leaders. Of those companies, it wasn't until I joined Cisco Systems, Inc., that I truly felt a strong personal and social obligation to help the company compete and win in the new world of the internet economy.

A large part of this renewed obligation is due to the financial incentive created by the stock options that the company issues to us on a regular basis. While these "options" use no corporate assets, and ultimately provide no guarantee of ever increasing in value, the real value of these "options" to me are:

- That I can see where my individual contributions have helped buoy the stock price and the overall worth of the company through a world-wide financial crisis. Throughout the internet bubble years, where Cisco's stock had gone from \$82 to \$10, I held onto the belief that because every employee is as vested in the company as I, that we'll all remain committed to the company and will continue to find ways to help Cisco innovate so that both the company and the employees can benefit and succeed in this new economy.
- With the future retirement and pension options being left to the individual to manage, these stock
 incentives offer one of the few remaining options for employees to provide their families with a
 "potentially" solid financial base. Again, the core philosophy driven by these incentives is that an
 individual's productivity and innovation has a direct impact on the overall success of the company and
 ultimately their own future.
- That stock options create a symbiotic, win/win, relationship between the company and the employees. Rather than viewing employees as "human capital" that can be expensed and expended in the same way as other corporate capital, employees are in actuality owners of the company. The company is held accountable to their owners and by having the employees "owning" positions in the company, they are ultimately accountable for the company's success as well. The DNA of a company that implements this top to bottom ownership and accountability creates an environment where the company and the employees work in unison for common goals; increased productivity, constant innovation and customer success.

Having access to these stock incentives has also helped me bring into focus the macro and micro economic impact of the internet economy and how companies have to continuously innovate, while retaining talented people, in order to remain alive. In contrast to this environment of common corporate and personal financial goals, the "old world" companies that I had worked for (Wang Laboratories, Digital Equipment Corp., and Motorola), did not offer incentive stock options for their employees. It was clear then that the only people making significant gains at these companies were the senior management teams who were given stock incentives and large bonuses based on the company's performance.

In retrospect, these "old world" companies were unknowingly driving a socialist mentality where the only incentives to work harder were the potential of an annual pay raise (usually only 3-5% on average), or a "possible" promotion, which were far and few between. This sort of socialist thinking drove individual behavior in one of two directions; to do the minimum amount of work because everyone received the same pay regardless of productivity, or to seek personal gain over corporate gains by playing politics and stepping over people to

obtain that elusive promotion. Both of these behaviors are the exact opposite of why a company is in business; for the company's gain and the employees gain through hard work and innovation.

The net result (and history has proven) is that these companies failed to evolve and are no longer in business partially because they did not incent their employees to think out-of-the-box and to provide new ways for the company to compete. While not a panacea for all of these companies' problems, I'm convinced that had these companies provided stock incentives, the employee base would have been far more vested in helping these companies evolve and innovate vs. atrophying and watching the high tech world roll by.

The gold rush mentality of the late '90's and early 2000's, and the debacle of the corporate thievery by executives from Enron, Tyco and others, had nothing to do with companies providing incentive stock options or not. These economic and personal conditions have existed since the beginning of mankind and the knee jerk reaction to find scapegoats goats for why these occurred has nothing to do with a company providing their employees with stock options.

I am living proof of the positive effects of stock options as well as the negative effects of trying to apply an "old world" economic model to a new economy that the entire world is still trying to understand. I urge you to not use incentive stock options as one of the scapegoats for making amends for the volatility of a financial market that no one could predict or prevent.

Thank you for your support.

Best Regards,

Bill Carey

Cell: 978 697-1637 Work: 978 936-1269

epage: bicarey@epage.cisco.com

Advanced Technologies - ESO 1414 Massachusetts Ave.

Boxborough, MA 01719