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Letter of Comment No: 545
File Reference: 1102-100

From: Earl Carter [ecarter@cisco.com]
Sent: Tuesday, April 20, 2004 8:55 AM
To: Director - FASB
Subject: File Reference No. 1102-100

Chairman Robert H. Herz,

I feel that it is a very unproductive decision to expense stock options. By not expensing stock options, companies are able to spread stock options to a much wider employee base, thus producing a highly motivated and creative work force. Having worked at Cisco for a little over five years now, I know that receiving Stock Options has caused me to really focus on ways to improve the long-term prosperity of our company.

When I started working here, I was amazed that everyone received some amount of stock options. I was also amazed at the Cisco culture that really valued everyone's opinion. I think that it would drastically change the culture of our company if the wide distribution of stock options was eliminated due to the stock options becoming expensed. I feel that a large percentage of the innovation and creativity that I have observed while working at Cisco is due in part to Cisco providing ownership in the company through the issuing of stock options.

Vesting over time, stock options provide incentive for employees to look for long term ways in which to help the company grow and prosper. Assigning an artificially high cost to stock options will virtually eliminate the issuing of stock options to normal employees such as myself and many others. Plus, the true expense of stock options (a dilution of the Earnings Per Share (EPS)) is already accounted for in the current system when the stock options are exercised. Expensing stock options can also hurt competition globally since not all companies outside of the United States will be bound by similar rules concerning stock options.

I hope you reconsider the current effort to expense stock options.

Sincerely,
Earl Carter