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**Letter of Comment No: 1864**

**File Reference: 1102-100**

**From:** Jerry Carnal [jcarnal@cisco.com]  
**Sent:** Friday, April 23, 2004 8:03 PM  
**To:** Director - FASB  
**Subject:** Expensing Corporate Stock Option -- File Reference No. 1102-100

Chairman Robert H. Herz,

Late last month, you released a draft plan stating that you intend to treat stock options as an expense. The valuation you propose would make it very difficult to continue broad-based employee stock option programs like the one we currently have at Cisco. I believe this will seriously jeopardize this country's ability to compete in the global market place.

In the 70s, stock options were almost exclusively used as an incentive for corporate executives. Under your plan, the corporate executives will once again be the only ones getting stock options. Not until the 80s and 90s when the tech boom hit were stock options used as a tool to employ, motivate and retain personnel. The reason small public companies used stock options were because quite frankly, they did not have the financial backing to pay employees what large companies like AT&T, Nortel, etc could pay. So people like me had a choice, take a safe stable income or work hard and take a risk in a smaller public company. This was an easy choice for most college students like myself and a lot of my friends.

I'd argue that without employee stock options, like you are proposing, many top technical companies would not have been able to hire the outstanding people they hired, nor would those people they hired been as motivated to succeed as they were. This would have led the tech boom to be a bust rather than a boom. Where would the Internet be without companies like Cisco, Wellfleet, 3Com, Sun, Intel, Juniper, and the list goes on and on. What you are proposing would make it almost impossible for small public companies to hire young motivated risk takers from corporate America. This will put us right back into the economic times of the 70s where only large companies higher the most talented people. This was also a time where we opened the door for many other countries products.

Stock options were one of my key consideration when looking for employment in a high tech company like Cisco. Stock options motivate me to succeed, if the company does well financially then I do well financially. I would not have the same drive, working long hours learning new technologies, to make the company succeed without stock options.

I reference small public companies quite a few times in this email and Cisco no longer is a small public company but with the stock options Cisco offers the employees, people work as though it's a small motivated company.

In many ways quite obvious to me, I find it difficult to believe during these difficult economic times that you'd even consider changing the way stock options are expensed. If you do, then this country is not only in for more difficult economic times but will be in difficult innovative technological times. Which leads right back into my first statement that we will once again have difficult competing in the global market space.

I personally do not want this to happen and urge you to reconsider your stock option expensing proposal. It's not what this country needs in these trying economic times and certainly not what this country ever needs if we want to be a technology leader rather than a follower.

Respectfully,  
Jerry Carnal  
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