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Letter of Comment No: 3891
File Reference: 1102-100

From: Sid Elliott (sellott) [sellott@cisco.com]
Sent: Wednesday, June 16, 2004 10:20 AM
To: Director - FASB
Cc: savestockoptions@cisco.com; John Richard
Subject: File Reference No. 1102-100, Expensing Stock Options

To: Chairman Robert H. Herz

Dear Sir,

I am an employee of Cisco Systems, and have been in the technology industry for more than twenty years. I am extremely concerned (as are many of my colleagues), about the recent proposal to require companies (such as Cisco Systems) to expense stock options. I am also concerned that the valuation methods being discussed for stock options are so high as to effectively prevent companies from granting stock options to "rank and file" employees.

I am not sure I understand why this should be treated as an expense, when no cash or other company assets are consumed when options are issued. When a company goes to the public market and issues additional stock, this action is not recorded as an additional expense, but is recognized by investors as simply a dilution in their shares of the company. As both a stock owner and an employee currently receiving stock options, I believe that it makes more sense to report this in other ways other than via an expense. To me, it does not make sense to report a current expense for stock option grants when the stock options may or may not ever be exercised, and when the exercise price is not known.

Obviously, stock options are a major component in my compensation plan with Cisco, and I believe contribute greatly to employee retention and productivity in the Company. I believe that this increased productivity at companies such as Cisco (and other firms with similar programs), is very beneficial to our industry and the economy as a whole. I know that this program has and will have a significant impact on the finances of my family, and may impact the ability for Cisco to attract and retain talent in this globally competitive industry.

Please reconsider your plan for requiring companies like Cisco to begin expensing stock options, particularly at the very high valuation method proposed.

Thank you,

Sid Elliott
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