

ikon

Letter of Comment No: 1585  
File Reference: 1102-100

---

**From:** Chris Steffy [csteffy@cisco.com]  
**Sent:** Friday, April 23, 2004 1:41 PM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

Chairman Herz,

I'm writing today to ask that you not treat stock options as an expensable item. As an employee at Cisco Systems, I consider the stock options I receive a valuable portion of my overall compensation plan. I'm concerned that measures you are proposing today will negatively impact the way my employer is able to offer "ownership" as a compensation tool going forward. Here are some specific areas of concern:

The inflated valuation your asking companies to place on these options may well eliminate them from the offering plate as a reward/incentive for employees to drive productivity.

Are options really an "expense"? Aren't expenses typically tied to those items that use company assets? Options do not use company assets and therefore shouldn't be treated as an expense.

As the employee receiving them, options aren't worth a thing until I exercise them...why should the company be hit up front when the option still has only a "potential future value"? At the time that options are exercised, the impact of the options is felt by the company in the form of a dilution of EPS. So there already exists a mechanism to account for them.

It is my understanding that companies in other countries aren't subject to this same treatment of options. I'd hate to see my competitors get a leg up on Cisco and potentially other countries gain an advantage over the United States, because they can continue to incent employees through the use of stock options, without penalty.

Again, I'd ask you to reconsider current initiatives and not force companies to treat stock options as an "expense".

Thank you,  
Chris Steffy  
Convergence Sales Specialist  
Cisco Systems, Inc.