

Stacey Sutay

Letter of Comment No: 300
File Reference: 1102-100

From: Tim Ellis [tellis@clsco.com]
Sent: Monday, April 19, 2004 6:57 PM
To: Director - FASB
Subject: File Reference No. 1102-10

Chairman Robert H. Herz

Dear Chairman Herz,

I'm writing this message to ask you to reconsider treating stock options as an expense. If you're trying to keep corrupt executives away from their golden stock parachutes, this is not the way to do it. I'm sure that they will find other ways to benefit themselves.

The person it does hurt is me. I've been an employee of Cisco Systems for almost 7 years. I have never been a manager nor do I ever want to be a manager. I've received stock options throughout my tenure at Cisco and as we've grown from 12,000 to 36,000 employees stock options have been a great way to make me feel like I'm a part of a bigger whole. The stock makes me a real part of the company instead of just an employee and it gives me a real motivation to make the company--not just myself, successful. It also increases my desire to stay with the company for an extended period of time.

On the other hand, stock options are also great for small companies. Not only can Cisco afford to pay it's employees well but we also have the added benefit of being a company who can offer a great deal of job stability. Small companies (especially in the technology field) depend on the risk/reward factors of stock options to attract talent to help them innovate with new products. If American companies can't offer stock options then we will cease to be competitive with small Korean and Chinese startups that do offer them. We currently dominate technology (innovation) here in the US while companies like Korea and China simply commoditize what we invent but that will soon change if we lose this valuable financial tool.

Regards,
Tim Ellis
Consulting Systems Engineer