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Letter of Comment No: 618
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From: M Siefer [msiefer@cisco.com]
Sent: Tuesday, April 20, 2004 10:33 AM
To: Director - FASB
Subject: File Reference No. 1102-100



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Dear Chairman Robert H. Herz,

I would like to take a brief moment of your time to address my concerns regarding the expensing of employee stock options. As a ten year employee of Cisco Systems, Inc. I have enjoyed the benefit of employee stock options for some time now. While I also participate in Cisco's employee stock purchase plan, it is really the stock options that truly incent me to drive company initiatives and performance. These options have the effect of focusing employees on the common goals of the company and to promote the necessary teamwork required to achieve them. Additionally, they provide a means to attract and keep talented individuals here in the United States while at the same time keeping salaries at a competitive level. Without stock option plans to help keep these individuals I fear companies will be forced to look to more foreign work forces to maintain their competitiveness.

During the last few years of economic downturn many of us have experienced our options going upside down. Obviously this is the risk associated with stock as a part of overall compensation. However, I use this to make a couple of points. First, due to the volatility of the market the ONLY true measure of the worth of an option is when it is actually exercised at a particular strike price therefore, treating options as an expense when they are granted is purely speculative by any method. Second, even with options being under water they still serve their intended goal of incenting me as an individual contributor to help drive the company to success ultimately bringing these options to a positive value.

It is clear that the expensing of employee stock option plans will make them no longer a viable tool for companies to use to attract and incent innovative, driven individuals in a globally competitive job market. As an individual recipient of these benefits I ask that you reconsider and choose NOT to expense employee stock option plans.

Sincerely,

Michael Siefer