

**ikon**

---

**Letter of Comment No: 777**  
**File Reference: 1102-100**

**From:** Dan Waterhouse [dwaterho@cisco.com]  
**Sent:** Tuesday, April 20, 2004 9:43 PM  
**To:** Director - FASB  
**Cc:** savestockoptions@cisco.com  
**Subject:** File Reference No. 1102-100 - Chairman Robert H. Herz

Dear Sirs,

I feel it is a major mistake to force companies to expense stock options. I work for Cisco Systems and part of the attraction to joining was the fact that Cisco could motivate it's employees to work hard with the expectation that the stock price would rise and I would continue to receive stock options that were not expensed. There is a certain pride and feeling of ownership that comes with owning stock options. Knowing that I am a shareholder keeps me motivated to work very hard and receive those rewards. The most successful companies are the ones that provide stock options that are not expensed and share more options with non executive level employees. In order to compete effectively in the global market, it is critical that options are not expensed. Chinese companies use stock options and they do not treat them as an expense. This will hurt us in the global market.

The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity. Again this will hurt us in the global market.

Stock options do not meet the definition of an expense because they do not use company assets. The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised. I have three daughters 11, 9 and 6 and they are counting on my success and ability to earning an attractive living. This is sending the wrong message that ownership is not part of the American Dream.

Please reconsider your decision and allow American Companies to compete and attract top talent.

Sincerely,

Dan Waterhouse  
Account Manager  
Cisco Systems

Dan Waterhouse  
Account Manager  
Cisco Systems, Inc.  
One Paragon Drive  
Suite 275  
Montvale, NJ 07645

Cell 908-377-1062  
Phone 201-782-5017  
Pager 800-365-4578  
dwaterho@cisco.com