

Stacey Sutay

From: Dennis Walker [dennisw@cisco.com]
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To: Director - FASB
Subject: expensing stock options, file #1101-100

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Chairman Herz --

Please reconsider the expensing of broad-based employee stock options.

Stock options are not a company expense. Stock options are paid for by investors, separate entities from the corporations. The EPS and number-of-outstanding-shares already correctly and exactly account for stock option transactions.

Don't think of the benefit to the employee in a stock option transaction as compensation being paid by the company, consider it a reward of employee ownership being paid for by the investors. The investors are giving the employee an ownership reward to influence the employee to act in the best interest of making the company and therefore the investor more money.

I can vouch for this alignment of employee and shareholder myself. In daily decision making I consider the effect of my actions on cost and bottom line. Our company chiefs implore on us the amount of money that is "a penny a share" and how that affects our bottom line and stock price. This drives me to consider the benefit of every penny I cause to be spent. Multiply that drive by the thousands of employees benefitting from the stock options and you have a powerful force working on behalf of the investors.

This is why the largest investors in our company would like to see us continue our stock option program despite its dilutionary impact on their ownership. It is in their best interest! It causes the value of stock they have to appreciate more quickly! That is the whole point!

Incorrectly forcing companies to include stock options as an arbitrary expense will have the adverse side effect of discouraging companies from giving stock options to a large number of employees. The unrealistic and grossly high expenses they will have to account for will make it prohibitive.

Please, do us all a favor and do not require stock option transactions to be accounted for as an expense to the company.

Dennis Walker
mechanical engineer, shareholder, and stock option beneficiary, Cisco Systems, Inc