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Letter of Comment No: 313
File Reference: 1102-100

From: Andy Balinsky [balinsky@cisco.com]
Sent: Tuesday, April 20, 2004 4:42 PM
To: Director - FASB
Subject: Please DO Require Expensing of Stock Options

Chairman Robert H. Herz
Regarding File Reference No. 1102-100

Dear Chairman Herz:

I support your proposal to expense stock options. I am writing as an employee of Cisco Systems to ask to please move forward with your proposal to require the expensing of stock options. I believe they ARE an expense, and it is only fair to the stockholders of public corporations that they should be reported as such.

Stock options are definitely one of the benefits that is touted by Cisco as part of the compensation package, and are considered by many employees to be part of their income. It is not fixed or reliable, but it is still income. It has a motivating influence and encourages employees to strive to increase the stock price, but it is still W-2 income. Thus, stock options serve the same purpose as salary. And each dollar of exercised options costs the shareholders just as much money as a dollar of salary does. It is deceptive to try to pretend they are not a compensation expense.

My company has sent out a blanket call today to urge employees to write to you advocating against this expensing. They like to hint with an implied threat that expensing will cause them to stop granting stock options. I believe this is political fearmongering and is untruc. Stock options are too useful a tool, and the employees are too attached to them for Cisco follow through on this threat. I, for one, am not intimidated.

The other side of the coin is that as an employee, I am also a shareholder in the company. And, I am a shareholder in many other companies, both independently, and as part of my company's 401(k) program. I feel that as a shareholder I am entitled to a true accounting of how these companies are compensating their employees.

I do appreciate stock options, and they have been financially beneficial. However, they are a compensation expense, and should be treated that way.

Sincerely,

Andrew Balinsky
Software Engineer
Cisco Systems