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Letter of Comment No: 1525  
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**From:** Angus McNeely [amcneely@cisco.com]  
**Sent:** Thursday, April 22, 2004 1:45 PM  
**To:** Director - FASB  
**Cc:** kxyzmc@msn.com; amcneely@cisco.com  
**Subject:** File Reference No. 1102-100 - Stock Options

Chairman Robert H. Herz,

I am writing this email to urging you **not** to expense stock options.

I have worked for a number of companies that have given stock options to employees. Several of these companies were private start-ups that I would have never worked for if there were not stock options as part of the compensation package. One of these start ups, GVN Technologies was bought by Advanced Fiber Communications. Stock options reward employees for taking some risk in making a company successful in the long run. This ultimately rewards all shareholders and investors in the company. Personally, my family has benefited from stock options and allowed us financially to better our education and housing. I know that stock options help align employees with shareholder and investor's goals to ultimately grow a company and improve earnings. Currently I work for Cisco Systems and they to offer employees at every level stock options. By expensing stock options there will be a negative impact on companies because some will stop offering stock options all together and others will offer them only to high level executives. Talented employees are less likely to take a risk with a company if there is not a substantial reward for them based upon their efforts. This effect will not be seen overnight but rather in a longer term when fewer start ups emerge because they can not attract talented people.

I hold an MBA in finance from the University of Chicago and have looked at the overall impact on a companies share price. The true cost of an option is dilution of the EPS. The EPS drives the share price of a stock and the 'cost' of stock options is already accounted for today in the share price when stock options are exercised. The pure definition of an expense is the actual use of company assets and stock options do not qualify.

Please do not expense stock options.

Sincerely,

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