

Letter of Comment No: 293
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From: Masters, Ed [emasters@cisco.com]
Sent: Monday, April 19, 2004 7:00 PM
To: Director - FASB
Cc: savestockoptions@cisco.com; Masters, Ed
Subject: File Reference No. 1102-100

Chairman Robert H. Herz,

I would like to express my concern regarding FASB's draft plan that would treat stock options as an expense. I am an employee at Cisco systems, having joined the company through an acquisition of my prior company, Active Voice. At both Cisco and Active Voice, stock options have played an important role motivating staff in the competitive high-tech industry.

My team of 120 engineers, develops leading-edge voice processing software used in Cisco's Unity voice mail and unified messaging product (many of which are installed in the US Government). The opportunity to share in the broader success of Cisco through stock options, has been and continues to be a strong motivator for me and my staff. There is a difference having an ownership interest in one's company through stock options versus working for only a salary, akin to the difference owning a home versus renting an apartment. Ownership in one's company promotes values consistent with our capitalist system. People care more about what they produce, work harder to develop competitive offerings, produce products that better meet then needs of customers and more effectively position the company to compete in an ever changing global market.

As I understand the draft proposal, because of the artificially high valuation of stock options treated as an expense, companies (like Cisco) would be in a position of eliminating stock options as a tool to drive productivity and innovation. Because stock options do not use a company asset, it's not clear why they should be considered an expense. The true cost of stock options is already borne by shareholders, as a dilution on EPS when the options are exercised. Given this, it's not clear to me why FASB would jeopardize this corporate tool to motivate employees at a time when the US needs to continue strengthening its presence in the global high-tech industry.

I strongly recommend you dismiss the plan to expense stock options, continuing to promote broad employee ownership in companies through the use of fairly valued stock options. Thank you for your consideration in this matter.

-Ed

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