Stacey Sutay

From: Massey, Darren [massman@cisco.com]

Sent: Monday, April 19, 2004 8:25 PM

To: Director - FASB

Cc: savestockoptions@cisco.com

Subject: expensing stock options

File Reference No. 1102-100
Attention: Chairman Robert H. Herz

Dear Sir.

I wanted to write and inform you of my very deep concern regarding the issue of stock option expensing. I honestly believe that this practice will unfairly impact the spirit of shared responsibility among those in high-tech eventually translating into slowed innovation and further eroding the advantages the US enjoys in the worldwide marketplace. High-technology is driven by motivated, intelligent individuals drawn to the field - and pushed to succeed - largely due to the benefits of a healthy company exceeding market expectations - and (in turn) enjoying the rewards of stock options. I can personally say that without stock options, purchasing my home and contributing to my children's educations would both be severely impacted. I see employee ownership and shared responsibility to continued personal and professional growth - both as an individual and as a company/market. Removing this incentive due to an unreasonable tax plan associated with stock option expensing will impact this significantly.

Letter of Comment No: 382-File Reference: 1102-100

I will watch this issue closely and cast my vote for our elected officials in large part based upon their stance on these matters. I know I'm not alone in this viewpoint.

I welcome the opportunity to discuss my concerns with you or your staff should the need/interest require.

Regards,

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I've identified a few issues below that demonstrate/summarize my concerns:

Accounting Issues:

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool
 which has driven innovation and productivity.
- 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.

Competition:

- U.S. companies needs stock options to compete with other countries on a global basis. (Example: Chinese
 companies use stock options and they do not treat them as an expense.)
- Expensing stock options could have a dramatic impact on American high tech leadership, innovation and
 job creation. In today's economic environment, the number one rule should be 'first, do no harm'.

4/20/2004