

Stacey Sutay

From: Phil March [pmarch@cisco.com]
Sent: Monday, April 19, 2004 7:13 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Argument Against Expensing Stock Options; Re: File Reference No. 1102-100

Dear Chairman Herz,

I am writing this email to express my concern about the recent FASB proposal to require expensing of stock options by U.S. corporations. I believe broad-based stock option programs are valuable tools which motivate employees to work hard and make the right decisions; and that requiring options be expensed will significantly diminish the efficacy of these tools.

Of the four companies I have worked for in my 20+ year high tech career, I have worked for two companies which offered broad-based options beyond the executive staff level. My reaction to having received options was that I had more of a sense of ownership in these companies and became personally vested in their success

Cisco in particular has been very strong in leveraging broad-based options as an incentive tool and from my own personal experience this has made me even more focused, interested and excited in my work with this company. It is clear to me that I am not alone in this view as I have been engaged in a number of discussions during internal meetings where the often-used line is:

"we're all stock holders here so what we decide affects all of us...let's do the right thing"

Having worked for other companies who did not offer options I can honestly say that the employee attitude has been very different and that the typical employee at these other companies had less of a "caring" attitude when they weren't financially "vested" in the corporation.

I am also convinced that if stock options must be expensed in the future (especially using high valuations proposed), they will become largely a thing of the past. This not only will be bad for middle managers like me but I believe the entrepreneurial spirit which has spawned so many innovative ideas, products and companies in the U.S. (and particularly in the Bay Area) will become largely a thing of the past, relegated only to small companies in which employees truly have equity by virtue of being founders. I believe this trend will put the U.S. in a less competitive position in the world trade arena.

I urge the FASB to reconsider its position on stock option expensing and by doing so, further promote the competitive, innovative spirit which has made this country great.

Sincerely,

Phil March
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