

Len Tatore

From: Jason J Halpern [jhalpern@cisco.com]
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To: Director - FASB
Subject: Reference No. 1102-100

Dear Chairman Robert H. Hertz,

Don't stifle innovation - Do not enforce expensing of stock options. I strongly encourage you to analyze option allocations given to individual contributors in properly-run companies. I strongly encourage you to instead consider other legislation to make stakeholders aware of the direct and indirect costs. Perhaps require a breakdown of the actual dollar allocations to individual contributors, mid-level managers, and executives.

I am truly amazed with the recent drafted plan. One of the driving factors, if not the primary, of the tech business is the stock option. It allows my globalized company to compete in a global economy by attracting the best employees in the business. It has even allowed us to virtually trample our offshore competition by attracting the best resources they have to offer and through better compensation, in turn attracts them to work for us.

In addition I live in the Silicon Valley where frankly without the benefit of stock options I would not have been able to recently purchase a house given the high cost and standard of living. At this point I would not work for a company without a broad stock option incentive program - I would even consider moving offshore for this benefit and other tax advantages. *In a time of a jobless recovery the current plan seems ill placed.*

Options are the incentive that drives my co-workers and I to high productivity including 12 hour days, weekends, and is in direct line with shareholders' interests. In my company the harder you work, the more options you receive. I strongly encourage you to analyze Cisco's approach to rating employee productivity as it has direct impact on our compensation here - any everyone knows it. **Frankly if shareholders were widely aware of the impact of this plan they would likely not allow it. I fear if this plan goes into effect the detrimental impact will become apparent in 4/5 years when current options completely vest.** I believe most investors currently consider this another "cleaning up" of corporate America but are not intimately aware of its consequences.

I fear that by limiting a company's ability to offer broad stock option programs that we will not be able to compete in the global economy. To be quite frank, other restrictions do not exist elsewhere (China, India, Singapore, Taiwan). We may begin losing the best talent to these countries. As a matter of fact at a recent Venture Capitalist conference the prediction was that the "next HP, Intel, IBM, Cisco" would be overseas, most likely in Asia (China/India). How else can we possibly compete globally unless there are incentives for Americans to train for years, work long hours, and compete with someone overseas doing the same task at 20% of our cost?

As follows here are the collected opinions of the corporation I work for, many of them are reflected above in my personal feelings and accounts:

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 need 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'.

Available for further comment, highest regards,
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