

ikon

Letter of Comment No: 664

File Reference: 1102-100

From: Dan Stern [dastern@cisco.com]
Sent: Tuesday, April 20, 2004 12:51 PM
To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: Expensing stock options

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

Dear Sir,

I am sending this as a very concerned citizen and hope that you will consider my opinion when deciding in the matter of expensing stock options.

I am part of what is considered today's "middle class" and have raised four children, two of whom are yet to go through college. I feel that due to taxes and increased economic pressures what is today an acceptable economic condition is slowly eroding and fear that the wrong policy adopted by our Government might worsen it further and accelerate that erosion.

I have been fortunate enough to be employed by one of the best companies to work for, Cisco Systems and take pride in owning part of that fine company as a share holder. I join thousands of my coworkers and friends at Cisco in our efforts to make the company profitable and stable because this way we can profit from our stock options granted every year through the generous incentive program in place.

However, we all fear that this program will be jeopardized greatly by the wrong decision FASB may make regarding expensing the stock options.

Here are some considerations that were pointed out on our internal employee web-site:

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'.

I, my family, and, I am sure, all my colleagues at Cisco and their families - are eagerly looking forward to the continuation of the stock option program as is, unhindered by any reform that will further increase the "middle class misery index" as defined by the democratic candidate for US presidency John Kerry. I am kindly asking that you acknowledge this letter and carefully consider our concerns.

Sincerely,

4/20/2004

NH