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To: Director - FASB
Cc: savestockoptions@cisco.com
Subject: File Reference No. 1102-100 / Stock Option Expensin_g

Letter of Comment No: 1171
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To Chairman of FASB Robert H. Herz,

I am writing this email as I am extremely concerned with the FASB's proposal to treat stock options as an expense.

In my view this will have a dramatic negative impact on High Tech leadership of the US, as it will greatly erode the main competitive advantage of the US Economy: entrepreneurship. I am not referring so much to financial risk taking of investors, but of talented people to invest their time and efforts to turn a new innovative idea into a new business. America's entrepreneurial environment characterized by creativity and risk taking is one of the main pillars of America's long-standing position as the leading global innovator. This entrepreneurial environment is unmatched by any other developed country on this planet and cannot be taken for granted, especially given the fast rise of new hungry economies. Entrepreneurship and the freedom to develop new ideas and concepts has become the predominant competitive advantage of the US Economy, as quality of education in countries like Japan, Europe, India and China are at least equal to America's.

The High Tech Industry, given its innovative nature, is a high risk environment for all employees (high and low) in an organization. At the moment a new business doesn't come to fruition that business will be abandoned and many or all employees will be laid off. 70+% of new ideas in the high tech industry just fail.... It doesn't differ much whether this new business is an independent start-up or part of a larger company. On a personal note, my job was eliminated 3 times over the last 9 years as new product ideas were not accepted by the market, which forced me to find new employment and start from scratch. Four years ago, when Cisco Systems acquired the start-up company I was working for, I felt therefore that in someways I deserved the financial upside resulting from gain on stock options.

I am motivated by the joy of working on new technologies and new business creation. The availability of stock option programs won't change that. However, stock options make me feel an owner of the company I work for, which help motivate me to go the extra mile to make the new business a reality especially during critical times....it helps to create the emotional mind set that it is worth the high risk after all.

This innovative environment of the USA is exactly what decided me to leave my home country, The Netherlands, about 9 years ago and to relocate to the Silicon Valley. Since my younger years, I was always attracted by technology innovation and new business, and amazed by new technologies coming from the US. Years later, I obtained a Ph.D. in Engineering. The first 10 years after graduation, I worked in Europe for a Technology Research Organization and later for one of Europe's largest Electronics companies. What always troubled me is the lack of risk taking on all levels in Europe, where hardly any new idea seems to leave the research labs and gets spun into a new business or company. Compared to the USA, Europe is very risk adverse and broad-based employee stock option programs are not common or even often culturally not accepted. In my view, this is one of the main reasons why Europe compared to the USA, keeps on falling behind in most High Tech markets resulting in slow economic growth and constantly high unemployment rates...(Europe has a lot of hidden unemployment on top of the official numbers). This is exactly why massive amounts of European knowledge workers, like myself, have gone to live in the US, attracted by

its innovative environment.

Last but not least, gain on stock options has helped me and my family financially to buy a house in this extraordinarily expensive Silicon Valley housing market.

I beg you not to pursue your plans of having stock options treated as an expense. Especially, the high artificial valuation required by the FASB will eliminate broad based stock option programs and consequently the opportunity of employees on all levels in an organization to benefit from the financial gains of successful innovation. This will be bad for the US Economy in an increasing global market and threaten its innovative leadership. I fear grave negative consequences for me and my family of such a scenario, when in a few years from now many jobs on the technical/business bleeding edge in the US appeared to have moved elsewhere.

Best regards,

Dr. Hugo Vliegen
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