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Letter of Comment No: 968
File Reference: 1102-100

From: Woody Sessoms [wsessoms@cisco.com]
Sent: Tuesday, April 20, 2004 2:01 PM
To: Director - FASB
Subject: File Reference No. 1102-100 - Broad Based Employee Stock Option Plans

Dear Chairman Herz,

I'm sending you this letter to solicit your support in protecting Broad Based Employee Stock Option Plans. I am extremely opposed to the draft FASB recommendation that proposes to treat Stock Options as an expense. I believe that this will have effects that haven't been thought through. The issue around Employee Based Options is not one of accounting, but of jobs and innovation.

Employee Stock Option Plans allow US based companies to compete globally. It is a key component of attracting and retaining the best talent. We cannot compete with many foreign countries in terms of wages and benefits; American workers are the losers, the jobs will move off shore. Option plans allow employees to invest in their US Based company; reaping the benefits if and when the value of the company rises, without undue expense to the company and its shareholders. With proper governance and vesting schedules it allows workers and companies to work toward longer term goals versus being driven by the quarterly mentality of Wall Street. The true cost of stock options are accounted for when the options are exercised through the dilution of Earnings per Share. If the options are not exercised, then the earnings are not diluted. Consider the erroneous effect on EPS if we would have followed expensing schemes during the valuation bubble of the late 1990's. Stock options are an investment in the future of a company and do not represent current assets.

Mr. Chairman, American businesses must take a longer term strategic view if we are going to successfully compete with the emerging markets of China, where they do not expense options as well as pay very low wages with low benefit burdens. Properly governed, Broad Based Option Plans incite long term behavior that is positive for America and the shareholders of American companies. Please do not take away this powerful leverage from us. Broad Based Plans allow all Americans to participate in the American Dream and build wealth.

Thank you for your consideration.

Curwood Sessoms, Jr.

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