ikon Letter of Comment No: 1065
File Reference: 1102-100

 From:
 John Noonan [johnoona@cisco.com]

 Sent:
 Tuesday, April 20, 2004 12:16 PM

To: Director - FASB

Subject: RE: Opposition to Expensing Stock Options (File Reference No. 1102-100)



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To: Chairman Robert H Herz

File Reference No. 1102-100

Dear Mr. Herz

I wanted to voice my opposition to your plans for a) expensing stock options, and b) considering expensing them at such a high valuation.

From April 2001 to April 2003 I worked as a member of the management team of a start-up security software company. As the dates suggest, this was probably the most trying time for any company to get funding, let alone compete for scarce revenue in a market retrenching from the effects of the burst tech bubble and then 9/11.

While at this company, I had the privilege of working with some of the most dedicated and talented people in the industry who, despite the considerable obstacles to success, had a vested interest in making the technology and the business work. We all took many financial risks (including lower pay and uncertain futures) as well as sacrificed a lot of time with our families because we knew that if we made the company successful, this would be reflected in the equity stakes we ALL held.

In April 2003 we were acquired by Cisco for stock. We had successfully brought a leading edge technology to market. The options that all employees held from the CEO to the Admin at the front desk now possessed a tangible and liquid value that was the reward for all the hard work, and we still had the incentive for more value as we entered Cisco.

Cisco, to its credit, buys people not technology and was able to offer more options to our incoming employees. The net effect of this is that one year on, all the employees have remained at Cisco, we have continued to innovate, and our customer networks are more secure. Even the lowest paid member of our start-up (a single mother) has a nice nest egg and a secure future with Cisco as a reward for the risks she took, and the hard work she put in. That hard work now benefits Cisco and its shareholders

I cannot picture the above scenario taking place in the future if stock options are to be expensed. Most notably it will be the lower and mid-level employees who will suffer....and these are the people who are actually taking the biggest risk by choosing the entrepreneurial path.

How will public or private businesses attract the talent and innovation that they do today?

How will the region that I live in, or even the country remain competitive against other areas of the world where reward for innovation is not being stifled?

I am vehemently opposed to the FASB plans.

Sincerely
John G Noonan
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