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Letter of Comment No: 1205
File Reference: 1102-100

From: Jim Condict (jcondict) [jcondict@cisco.com]
Sent: Wednesday, April 21, 2004 1:49 PM
To: Director - FASB
Subject: File Reference No. 1102-100 - AGAINST Expensing of Stock Options

Dear Robert H. Herz, Chairman.

About 9 years ago, I had the good fortune of joining Cisco Systems. One of the benefits I evaluated before I accepted the job was ownership in the company provided in the form of non-qualified stock options. This concept was new to me as all of the previous jobs I held offered no such benefit. During my interviews, it was clear to me that the culture of this company was much different from other companies I had worked for in the fact that employees were highly motivated and truly aligned to achieve the company goals. I have always been the kind of person that did what it takes to get the job done so I fit right into this culture. After 9 years, let me assure you this culture is still alive and well with me and the rest of our employees. Clearly, this kind of behavior is what makes a great and successful company. Having ownership in the company you work for is the best method to drive the level of performance and productivity required to compete effectively in this global economy!

Ownership of the company in form of non-qualified stock options as been very rewarding financially to me and my family. It has increased our standard of living far and above what I ever thought possible. I have paid a significant amount of federal and state income taxes over the years which has benefited the general economy.

Here are some additional reasons I am against forcing corporations to expense stock options:

- 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.
- 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'.

Please consider this email and all you may receive like this one as "real-life proof" that forcing companies to expense stock options at unrealistically high valuations would be detrimental to many individuals like me and the economy in general.

Best Regards,

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