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Letter of Comment No:757 File Reference: 1102-100

From:

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Sent:

Tuesday, April 20, 2004 3:35 PM

To:

Director - FASB

Subject: Chairman Robert H. Herz - File Reference No. 1102-100 - Stock Options An Critical Compensation Tool

Mr Herz:

I am writing to express my OPPOSITION to your proposal to expense stock options. Stock options are one of the best tools employers have to motivate and compensate valuable employees.

Your proposal would make stock options programs like the one implemented at Cisco extremely difficult to maintain. Such a move by corporations would have a very negative impact on the financial condition of many families which use stock options as a tool to provide for future retirement funds. With fewer and fewer companies providing retirement pensions, with 401k contributions limited only to \$12,000 a year, with rising medical costs, and with the prospect of reduced social security benefits, stock options have become a very powerful retirement planning tool.

I do not think your proposal achieves its goals to improve existing accounting rules and provides more complete, higher quality information for investors. How is the proposal achieving these goals when it is accounting something that is NOT a company asset? At the time a stock option is granted there is NO actual monetary compensation to the employee. It does not make any sense to force employers to state in their financial statements that they did have a monetary expense when in fact they did not. Stock options should be expensed at the time they are exercised! This is when the expense actually takes place.

I do not understand the need for achieving "substantial convergence in this important area between U.S. and international accounting standards.". Why do American accounting standards need to be like other countries? The fact that American standards are different does not make them bad. Your press release conveniently fails to point out that Chinese corporations are not required to expense stock options.

One of the goals of your organization MUST be to impose standards that allow American companies to compete in the global market place without compromising the integrity of the information that is provided to investors. I do not see why the current reporting compromises the information provided to investors.

It would be a shame that as a result of your proposed changes, corporations would have to eliminate stock option programs that are so important to many employees (not only executives) as a retirement source of funds.

Enid Jimenez Software Engineer