

ikon

From: Renee E. Rubin [rrubin@cisco.com]
Sent: Thursday, April 22, 2004 2:56 PM
To: Director - FASB
Subject: FAS 123, APB Opinion 25

Dear Chairman Herz,

I am writing to you in response to the FASB proposal to modify current accounting standards relating to employee stock compensation in financial statements. As an employee of a large enterprise that offers employee stock option incentives, I am against the FASB proposal for the following reasons:

The FASB proposal seems to contradict the FASB mission statement to "Keep standards current to reflect changes in methods of doing business and changes in the economic environment." It appears to do quite the contrary.

"Under the Board's proposal, all forms of share-based payments to employees, such as employee stock options, would be treated the same as other forms of compensation by recognizing the related cost in the income statement. The expense of the award would generally be measured at fair value at the grant date."

I'm told stock options are *not* a true expense, as 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. Therefore, stock options are *not* the same as other forms of compensation, and as such, should not be categorized the same in financial statements.

The proposal claims that by expensing stock options, it "would achieve *substantial convergence* in this important area between U.S. and international accounting standards." Substantial convergence is ambiguous at best and does not appear to be accurate. China, for one, supports the use of stock options for their employees.

The added incentives of stock options is beneficial to both employees and corporations. Employees are compensated for their extensive hours of service and dedication, and corporations are able to retain their talented and trained employees to meet the stringent needs of markets worldwide.

During the economic boom of the late 1990s, investors reaped the rewards of the dot.com companies who provided their employees with stock options. The financial statements and the current method of providing stock options to employees had no bearing on the profits recognized by corporate investors. In other words, the current method for categorizing stock options in financial statements did not appear to be an issue.

In today's business environment, business is already confronted with skyrocketing workers' compensation fees, increased health care fees, and over-taxation. Fewer businesses are able to compete in today's market. The ability to offer stock options to employees and use current methods for posting to financial statements helps to keep corporate doors open by offsetting costs, and promotes healthy competition in the marketplace, both nationally and globally.

Please do not pass the new proposal for expensing stock options on financial statements. It offers no real advantage to investors, damages businesses, and could result in increased unemployment.

Respectfully,
 Renee E. Rubin

Renee Rubin and Patrick Huestis
 2400 Moffitt Way

(ix)

4/22/2004