

Stacey Sutay

Letter of Comment No: 210
File Reference: 1102-100

From: Albert Mak [almak@cisco.com]
Sent: Monday, April 19, 2004 5:49 PM
To: Director - FASB
Cc: savestockoptions@cisco.com; almak@cisco.com
Subject: File Reference No. 1102-100, addressed to "Chairman Robert H. Herz,"

To Chairman Robert Herz,

I am writing voicing my opposition on the current FASB's draft plan on expensing stock options. I consider this broad stroke approach of stock option expensing to be counter productive to the US economy on the grounds that

- un-realistically high valuation of stock option.
- confusion of category, option is not an expense when issued.
- There is no way in which un-exercised/under-water option is accounted for
- Plus when options are exercised, the dilution is already taken into account.

This action will have very harmful effect on the tech companies and US economy.

It will eliminate the competitiveness of technology based companies to attract talents. I personally know that the majority of Chinese companies modelled after the way companies in Silicon Valley operate in an attempt to replicate the entrepreneurship in the USA. Stock options is one of their primary tool to motivate workers. Expensing options in the US will drastically reduce competitiveness thus the job creation ability of US companies. In one of today's news report, students enrolling in computer science degree has reduced 40% in the past 2 years. The lack of opportunity has been cited as the reason. Stock options expensing will further accelerate the outsourcing of tech jobs leading to fewer opportunities in the US. Thus risking US tech leadership in the future.

I implore you to reconsider the proposal. Being able to have accurate accounting to prevent companies the likes of Enron is a noble goal, there are other proposals around, e.g. expensing options for top company executives, will be a much better than the broad stroke approach which has the risk of damaging a large sector of the US economy.

Your truly,

- Albert Mak