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To:

Director - FASB

Cc: Subject: savestockoptions@cisco.com
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Importance: High

## Chairman Robert H. Herz,

Please do not expense stock options as planed in the last month's draft; stock options has been one of the few things that keep employees motivated in a uncertain economy today. It's is absolutely necessary for the change not to take place for companies to be able to continue their broad-based employee stock option program. Options provide employee with a sense of reward for contributing to company's success. With the ownership that comes with options, employees are further motivated and drive for success.

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Despite the fact that profits gained from exercising options would be taxable, yet it provides the only variable for an otherwise fixed income job. I believe most engineers feel the same way; with ever-increasing cost of living and never-increasing income in a bearish economy, stock option provides the only light in the darkness. Personally, the options were the most helpful for my family to get the 'extras' they deserve in the special times of the year. It also helped us coming up with the down-payment needed to move into our first home.

God forbids, but if the draft takes effect the possible harmful effects are countless. The high valuation for stock option proposed in the draft will without a doubt kill the chance for further stock options. In other words, such a proposal harms almost everyone and benefits nobody.

Stock option does not really meet the definition of an expense anyway; options are issued with a strike price equal to the fair market value at the time of issue. The options are not exercise for a year and allow it time to fluctuate both ways. Upon exercise, the true cost is ALREADY accounted for since its dilution of the EPS. Furthermore, it doesn't cost company assets. The justification for expensing options has to be rather twisted.

Aside from the accounting aspect, US companies will need the options to be competitive since their competitors ALL has the options to issue stock options as a tool to promote their competitive edge. Any they do not have to be hit with this expense nonsense. (so you know how strongly I feel about it.)

To allow the draft to go into effect, FASB would take away any chance US has in its continuing fight for the leadership in the high tech industry. Even if we don't care about maintaining leadership, Innovation or even new job creation is just a few other things that WILL be harmed.

Please reconsider and drop the idea of expensing stock options, it does NO good and lots of harm. If nothing good can be drafted at this time, please consider the number one rule to do no harm.

Thanks

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