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Letter of Comment No: 2986 File Reference: 1102-100

From: Sent: Christine Yan [cyan@cisco.com] Wednesday, June 02, 2004 11:38 AM

To:

Director - FASB

Subject:

FAS123 - Expensing of Stock Options

1) Stock options have served as a significant tool to drive American high tech

leadership, innovation and job creation. If implemented, FAS 123 will likely

bring an end to broad-based employee stock option plans inside the United States.

- 2) U.S. companies need broad-based employee stock option programs to compete with other countries on a global basis. Other countries, including China, do not expense stock options.
- 3) These broad-based employee stock option plans not only enhance productivity but also benefit shareholders by better aligning employee and shareholder interests.
- 4) 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. Employee stock options are not freely tradable, are subject to forfeiture if an individual leaves the company, and are therefore
- 5) The FASB exposure draft will require companies to somehow come up with a value--however inaccurate-- and force companies to put inaccurate

on the financial statement. The financial statements will actually become less

valuable to the individual investor. Overall expensing options will likely lead to

further inaccuracy and financial engineering in corporate filings, which will

not be beneficial to shareholders.

Thanks.

Christine.

information

impossible to value.