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**From:** dharrer@comcast.net  
**Sent:** Thursday, June 24, 2004 4:59 PM  
**To:** Director - FASB  
**Subject:** Stock Option Expensing Issue, File Reference No. 1102-

**Letter of Comment No: 5385**  
**File Reference: 1102-100**

Chairman Robert H. Herz,

I am writing regarding File Reference No. 1102-100 on the issue of expensing Stock Options.

I am an employee of Cisco Systems in a non-management role. I am asking that you do not make the mistake of expensing stock options. Stock options are a way for employee's to have true ownership in the company and help companies draw top talent to those companies willing to offer stock options. The effect of eliminating/minimizing stock options would have a dramatic impact on innovation and job creation in the US and would push more jobs overseas.

Another negative issue is the valuation of stock options. There is no tool out there which can accurately provide a value to stock options. In addition, I don't believe there is a need to provide a value on stock options as the cost of stock options are already reflected in the stock through the dilution of EPS. Today, if companies do not make additional earnings to offset the increase in shares that occur as a result of stock options than the stock price will reflect that. Stock options are not unlike the charges that every investor gets charged to varying degree's on Mutual Funds. Mutual fund investors have the choice to invest in those funds with higher fee's and will do so if they feel they will get higher returns. Stock investors should be allowed this same choice to invest in companies that offer stock options, and therefore have higher fee's, however they will do so knowing that every employee in that company is more highly motivated since they are receiving the stock option benefit which will result in higher returns on that stock.

Sincerely,  
Dan Harrer