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**Letter of Comment No: 1131**  
**File Reference: 1102-100**

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**From:** Jay Larrick [jlarrick@cisco.com]  
**Sent:** Wednesday, April 21, 2004 11:06 AM  
**To:** Director - FASB  
**Subject:** Do NOT expense stock options!!!

Chairman Robert H. Herz  
File Reference No. 1102-100

Sir:

Thank you for your attention to this note.

Expensing stock options will have the effect of limiting the number a company will want to give out. Who will get this limited number? Very senior management only (so that the expense item would not adversely affect EPS). Senior management is impotent without the employees who help create, crystalize and execute successful vision and mission. ALL jobs inside todays new, fast growing companies, and in the older established ones, should carry options as a part of their employees remuneration package, more closely tying the company success with their own success. All job should be able to participate according to their contribution to the company. Expensing options would restrict this FREEDOM to appropriately reward employees by enabling them to participate in their company's success.

Expensing is wrong from an accounting point of view. Options do not use company assets. The cost of stock options is dilution of earning per share, which is already accounted for at the time options are exercised.

Please do NOT require the expensing of stock options.  
Thank you.

Jay Larrick