

**Ikon****Letter of Comment No: 1124**  
**File Reference: 1102-100**

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**From:** Dave Moorman [dmoorman@cisco.com]  
**Sent:** Wednesday, April 21, 2004 9:59 AM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100 - Expensing Stock Options  
**Importance:** High

Dear Chairman Robert H. Herz,

I am writing you in regards to the File Reference NO. 1102-100 pertaining to treating stock options as an expense. Not only would this be an issue from an accounting standpoint it would also hurt U.S. companies ability to remain competitive in a global market at a time when we need to support U.S. business not hinder them. I have outlined a few key points below.

Accounting Issues:

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
- 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.
- To say that stock options are the reason for the accounting scandals that plagued firms such as Enron and Worldcom is wrong. Corrupt executives were the reason. To think that eliminating stock options will also eliminate this corruption is ludicrous.

Competition:

- U.S. companies need stock options to compete with other countries on a global basis. (Example: Chinese companies use stock options and they do not treat them as an expense.)
- Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'.

Having spent 10 years with public companies that have a stock option plan I have seen first hand the importance of stock options. From a personal standpoint they are a huge part of how I support and plan to support my family in the future. From a corporate standpoint they provide a great means to motivate employees to work harder for both the companies and the shareholders common goals. I urge you to NOT expense stock options or at least use a fair evaluation technique and only expense those options held by the top 5 officers/executives in a particular company.

Sincerely,

Dave Moorman  
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