Letter of Comment No: 333 File Reference: 1102-100

## **Stacey Sutay**

From: Bill Parr [bparr@cisco.com]

Sent: Monday, April 19, 2004 10:14 PM

To: Director - FASB

Cc: 'savestockoptions@cisco.com'; Dennis Trop; Scott McNair; Jason Sullivan

Subject: I'm against the expensing of stock options

## Chairman Robert H. Herz:

I'm against the draft plan which states that the FASB intends to require a company, such as Cisco Systems, to expense all stock option grants. This plan, in its effort to "grab from the rich and give to the poor" will fail to meet its objectives for one simple reason. If this plan is approved, most companies that use stock options as incentive will no longer hand them out. They won't be able to afford it.

Now I'm assuming that most American companies would rather cease stock option grants rather than have to lay off employees to cover the new expense. If that happens, I don't understand how the personal tax revenues lost from this plan will be offset by corporate taxation.

Let's take a personal example from me. I started at Cisco over 6 years ago. I cashed out my options 2 years ago before the tech crash. This allowed me to pay off my house and put a modest amount away for a rainy day. As a result, I was in the 38%+ tax bracket and paid \$120,000 in income taxes that year. To put it in perspective, I paid more in federal income taxes than I normally made in salary for a year!

Now, if stock options had been expensed when I started, I doubt I would have received any options at all. Rather than receiving a more than generous tax payment that year, Uncle Sam would have received nothing. Not one red cent.

So, would you please explain to me how this plan to expense options is going to make Uncle Sam money? Or perhaps explain how this plan is going to help the stock option grantees like myself?

Thanks,

Bill Parr