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**From:** Timothy Marion [tmarion@cisco.com]  
**Sent:** Wednesday, June 23, 2004 1:11 PM  
**To:** Director - FASB  
**Subject:** Re: Expensing Stock Options

Dear Mr. Chairman Herz,

I am writing to voice my concern as well as my opinion that Stock Options should NOT be expensed. My personal situation may be unique, or possibly not, however, I can tell you that receiving the stock options I have from my company since I hired in have most certainly helped me survive financially.

I am a twice divorced man, and as you might imagine, the results of both divorces have been devastating to me financially. I am at a point in my life, at age 51, where I no longer own a home, I do not have custody of either of my children, I pay incredibly high amounts for child support each month, and I have no other tax shelters. I am unenviably in the most unfavorable position in which a man my age can find himself.

I have utilized the proceeds of some of my stock options to offset my incredibly high annual tax obligation. I have no other way to offset this obligation. I am not likely to be able to purchase another home anytime soon, if at all. My credit was done no favors in the last divorce when the judge made me responsible for all the credit card accounts that my ex-wife opened and charged to their maximums. His basis for making this decision was that my gross salary was a good deal higher than that of my ex-wife, however, if you were to drill down to net pay figures, she actually receives more than I do and she does have numerous tax shelters which I do not have.

If it were not for my having some vested stock options last year (2003), I would have been unable to pay the additional taxes I ended up owing to both the Federal Government and State Government of California. I try to pay in as much tax as possible throughout the year, but I am unable to do so because the amount that it costs me to live in California is higher than the amount I need to bring home in net pay and still be reasonably sure that I have paid enough taxes throughout the year.

Additionally, there are thousands like me that work in companies like my company where stock options form a part of the formal compensation provided to the individual employee. Also, stock options give the employee a sense of ownership in the company, we become stakeholders and the success of our company is more important to us and we work much harder to ensure that success.

Your approach to expensing stock options is the easy way out. I realize that this is an offshoot of the things that have happened in the last few years, Enron, Anderson Consulting, and so forth. But it is a knee-jerk reaction and has not been well-thought out. Government always tries to find one thing that will make it look to the electorate like the Government has taken seriously the wrongs that were perpetrated as a result of loopholes in law. However, the knee-jerk reaction is never the best approach in the long run.

You already know the mantra of why companies DO NOT want Stock Options to be expensed:

- 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.

These are valid points, but what is more important is the impact it will have on each American in the long run. We talk about the need for a Global economy and how important it is to find ways to cut operational costs while showing the

6/23/2004

highest profits. If you look more deeply, you will see that the welfare of many corporations are adversely impacted by the stock market analysts. Whenever any of these analysts even hints at the possibility that a company may not do well as their forecast indicates, the entire market takes a plunge. This negative input does a lot more damage to the economy as a whole than not expensing stock options. Why doesn't your agency take steps to minimize the negative impact of loose cannon stock market analysts? That would provide a lot more security and form a more sound basis for economic improvement than expensing stock options.

All that I've said may or may not have any impact on you at all. I confess, I'm not very good at expressing what is in my head and heart about this subject. What I can say to you is that perhaps it comes down to the level of every American's hopes and dreams of providing for themselves and their families. Stock options bring the ideas of a strong, vibrant economy, of being at the forefront of technological development, of being the first in class and being innovators, down to the level of the individual.

We believe that our receipt of stock options help us to be a part of what makes this whole thing work. We realize that we are not forgotten, we are not nameless, and we believe that our companies actually do care about the contribution of each individual to the collective well-being and success of the whole. These are not new ideas, but they are the core of what this country is all about. Individual freedom, individual expression, the knowledge that each individual is important. This Republic was built on the backs of individuals who strove over the centuries to improve themselves and their lot in life. I doubt whether any other country in the world that allows their companies to grant stock options considers that expensing stock options would be a viable way of improving Financial Accounting.

The idea of granting stock options is just a fairly recent idea, but it comes from the family of ideas that Americans through the years have thought up that have made America a better place to live than just about anywhere else in the world. The fundamental logic of granting stock options is grounded in and is a part of the same fundamental logic that has enabled America to be the leader in Politics, Industry, Technology, Medicine, and a host of other areas. That fundamental logic to me is individual freedom and the belief that each American is able to change their own destiny and make it better.

If you take away from companies the ability to offer stock options, you are eliminating much more than what you see as a slick means for companies to hide assets. What you are truly eliminating is the historically established right of each and every American to foster individual creativity, of encouraging innovation, you take away from us the sense of ownership we gain and most importantly, you rob us of our hope for a better future. The essence of America is that any who come here or who are born here have the means to change the world. This is the American Ideal. When hope is gone, it isn't long before concepts such as innovation and creativity fall by the wayside. Were I you, I would not want to go down in history or have the legacy of having engineered the destruction of the American Ideal. When you attack the idea of stock options, you are attacking the American Ideal. I urge you in the strongest terms to reconsider your direction in this matter. Please do not expense stock options. Leave us, as individuals something that we can use to build upon, or we may get to the point where we no longer remember how to build upon what is good in order to make it better.

Thank you for your time and for listening.  
Tim Marion

Tim Marion  
Commodity Manager  
Global Procurement Organization (GPO)  
Phone: (408) 525-6836  
Fax: (408) 526-4841  
Pager: (800) 365-4578  
email: tmarion@cisco.com