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From: Sent: Bill Schongar [bschonga@cisco.com] Tuesday, April 20, 2004 4:46 PM

Director - FASB

To: Subject:

Stock Options Expensing (File Reference No. 1102-100)

Letter of Comment No: 815

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To: Chairman Robert H. Herz From: Bill Schongar (bschonga@cisco.com)

Dear Chairman Herz,

Expensing stock options may sound like a good idea on paper, and be a trendy thing to do, but like fashion fads it's really something we'd all regret later.

I haven't been fortunate enough to be at Cisco throught the raucous times of the late 90's. No, I started just as the stock prices were going down, and my original options are so far underwater that advanced sonar is needed to track them. So I'm not speaking to you as someone who's gained a lot from my options, but rather as someone who disagrees with the unending variations on the "expense options = good" theme I've seen spread about.

One reason is valuation. No matter what model you pick, you're forcing companies to assign a value to options at the time of issue. Going back to my underwater options, which are fully vested and will never see the light of day again, why should the company have been charged an expense for something which will never be more than a piece of paper? How does that fit into the valuation model? Poorly.

Another reason is incentive. I'm driven to work hard because I want Cisco stock to go up. I'd also like a whole lot of other stocks to go up, but all I can do about those is scream ineffectually at the Wall Street Journal. It's an interesting math exercise to see who can pull what numbers out this week to justify one side of the coin or the other, but that's all. What it boils down to is - how can companies provide for their shareholders? One of the ways is to ensure they retain people, so they can deliver quality products and services. Stock option programs for the "little guy/girl" help drive this. We know that when our company succeeds, we succeed.

I could sit here and wax loguacious on the pro-options arguments, and refute the myriad anti-options arguments, but I know you'll get that from a lot of other people, so why should I waste your time repeating all that? It must get boring.

I know you'll get a lot of letters, emails, phone calls, faxes, and other correspondence on this (from both sides of the issue), and that my voice is just one of many, but hey, sometimes you just have to stand up and say something.

Yours in the American Dream,

-Bill Schongar Mason, NH