
From: Jeanne Hollingsworth [jrobutz@cisco.com]
Sent: Tuesday, April 20, 2004 1:26 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Dear Chairman Robert H. Herz:

I am **against** expensing of stock options for the following reasons:

1) Based on personal experience I do not feel that any person or process can appropriately estimate the value of stock options.

I've had 3 experiences with stock options:

A) I worked for a small and often times struggling software firm, Benson Software Systems, Inc., for 10 years. During one of the periods we were provided with stock options which were subsequently sold back to the company prior to the sale of the software firm to a larger company, which was required for our existence.

B) I worked for a Advanced Fibre Communications, a telecom start up in Petaluma, CA (Not Silicon Valley), this is where I had my most impactful stock option experience. The company was going great, doubling every year, the IPO in 10/96 was at \$38.75 and in 9/97 there was a 2:1 stock split. I purchased options at a low of \$20 per share to avoid capital gains because we had slightly missed our numbers. However, the stock continued to drop to as low as \$4 in October of 98, therefore creating a tax liability that I was only able to pay with the proceeds from the recent sale of my house. I believed in the company so much that, within accounting rules, I purchased the same amount of options and sold the \$20/share stock at a loss prior to the December 31st. I was one of the lucky ones, many people had margined their accounts and were scrambling to not loose their homes as well as find funds to pay their taxes. The issue I had was more with the general accounting guidelines of avoiding capital gains, that's the issue that put me in personal financial turmoil. There was no valid reason for the stock to be valued at \$4/share but the market valued it that way for a short period. If the market isn't always valid how can any person or board determine what the market value is?

C) I then went to work for another startup in Petaluma named Cerent that was purchased by Cisco. It was an amazing offer but based on my previous experience I wasn't sure that the stock would stay at the current level when I was able to do my first sale after the my one-year anniversary, people thought I was out of my mind, this was Cisco after all. So when the market tumbled, I again saw some of my co-workers experience the financial turmoil of paying back margin loans. I have definitely reaped the rewards of having stock options as have many others.

2) Based on my three personal experiences with options, I firmly believe that having ownership in the company is better for the company and the individual.

A) It creates more motivation in the individual to do the right thing for the customer and other owners in the company for the longevity of the business.

B) It has the potential for individuals to be able to increase their financial standing to fund their children's college education, their retirement and possibly as basic as buy a house in California.

C) It creates loyalty and hard work to make a business successful. In the two start-ups that I worked for, I was willing to work extremely hard because of the potential rewards.

D) It allows an individual to choose to take risks similar to an entrepreneur without starting a business for which they may not have the ideas or skills to do.

3) It creates more jobs by allowing entrepreneur's a method of potential payment to employees who want to take the risk with them.

The "Telecom Valley" here in Petaluma was created due to the use of options.

4) Stock options have enabled me to fund my children's college education, fund part of my retirement, and give back to the community in the way of charity donations.

In all honesty, without stock options, I would not be able to fund my children's college education, I don't know how I would have funded my retirement (living in California has not afforded me much excess income for 401K or savings), and I certainly wouldn't have the focus and desire to help the local charities as I do know. Feeling the blessing that the stock options have provided, I feel a very strong desire to give back to the community.

I hope that you take these reasons into consideration.

Sincerely,

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