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From: Jeff Connelly [jaconnel@cisco.com]
Sent: Tuesday, April 20, 2004 5:04 PM
To: Director - FASB
Subject: Please do not expense stock options

Letter of Comment No: 690
File Reference: 1102-100



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Dear Chairman Robert H. Herz,

Thank you for the important work you are doing to try to restore the faith of the American people in corporations. The last few years have shown us what can happen when individuals think only of themselves without regard for the company or the people who have invested in their company. It certainly proves that the stock market should not be viewed as a savings account with higher rate of return. There is risk involved with that potential for a higher return.

I'm no financial wizard. I'm just a software engineer doing my best to make a living and raise a family. To date, I haven't exercised any of my stock options but I plan to soon in order to fund a 529 plan to pay college expenses for my kids. Cisco is the first company that I've worked for where I've had the opportunity to exercise stock options and it really motivates me to make a difference. In most of the other companies that I have worked for those benefits have been limited to upper management. Forcing companies to expense stock options will probably force Cisco to find another way to motivate their employees in order to stay competitive. I would hate to see that happen and would encourage you to carefully consider Cisco's policies and recommendations. Our management team works hard to create an environment of integrity, honesty, and win-win situations for employee and stock holder alike.

I've got plenty of options that are "underwater" right now. They may never be worth a dime. They haven't cost our stock holders anything and yet they motivate me to do my job well in order to raise our stock price for the good of everyone. When and if they are worth anything, the cost to the stock holders will be appropriately accounted for when they are exercised. Then they will pay the cost for motivation that occurred long before the exercise. If I end up making money on the deal, it serves as additional motivation to raise the stock price again. I just don't see the sense in forcing companies to expense the option when they grant it since there is no way to know what the true cost of the option is until it is exercised. Further, I don't think that this will help the stock holders in the long run.

Thanks for your time and consideration.

Sincerely,
Jeff Connelly

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