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From: Stuart Hamilton [shamilto@cisco.com]
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To: Director - FASB
Cc: savestockoptions@cisco.com
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Chairman Robert H. Herz,

I don't normally participate actively in letter writing campaigns but as I reflected on the issue of stock options and the impact it has had on people's lives, I thought I would share some thoughts with you about the trickle down effect especially as it pertains to Silicon Valley.

When I transferred with Cisco to the Valley some 7.5 years ago, I did so for one reason: To be at the epicenter of innovation, the leading edge of what has turned out to be nothing short of a revolution in the way people communicate. I reasoned that it would still be possible to participate remotely, but the personal interaction with the best and brightest from around the world is the environment where true inspired innovations happen and hence the long trek to California.

At the time, as a rank and file engineer, I was making a comfortable salary and living in "low debt" comfort in a relatively low cost area. Looking at this change from the financial perspective, there was no rational way that I could justify making this move, as a similar (yet modest) lifestyle in the Bay area was several times more expensive. But life is not much of a journey without risk so, my wife and family agreed to move and make the best of things for 2 years and then we would re-evaluate what our next steps would be at that time.

During those 2 years, an extraordinary thing happened. The stock market went crazy and these once overlooked stock options deserved a closer look since they now had the potential of doing things like reducing personal debt, increasing overall lifestyle, preparing for the future for things like sending the kids to college. At the same time that I got lucky by choosing Cisco as the place to work, several of my friends were in similar situations but weren't so lucky to have chosen a company that had such tremendous growth.

So what is the moral of the story? We both ended up staying but for different reasons. In my case, the positive results from my stock options at Cisco allow my family to live a comfortable lifestyle in a great community and to feel comfortable about the future in this area. In my friend's case, it was the **hope** that it is still possible to realize his dream that kept him here in the Valley.

Quite simply, **Stock Options are about hope**. Working on ground breaking technology with world class people is what draws people here. Hope (Stock Options) is what keeps people here over the long term.

This Country needs a strong Silicon Valley to lead the world in technology and innovation. We can only do that by attracting the best and brightest from around the world. To do that we need to offer people hope. Stock Options are a key vehicle for doing that.

If the FASB proposal moves forward as is, the results will be quite simple and predictable:

Companies will offer many fewer options (if any) to the rank and file workers
 Less cash will be injected into the economy (especially in the Bay Area)
 Talented people will be forced to move away over time as they realize that there is no hope to live economically in the area
 Fewer people will be attracted to the area
 all leading to....
 less innovation and technological leadership

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worsening of economic conditions in the Bay Area (lower housing prices, all the trickle down economic impacts of less cash being spent)

less tax revenue overall for the state and federal (already a big problem)

fewer public services and funding for things like education etc.

Lots of really bad things have happened in big business over the last few years with Enron, Worldcom, Tyco etc. We clearly need to address that problem and perhaps find a better way to account for executive compensation which represents the abuses that upset most people.

Please take the time to address the real problems and not rush into a decision on stock options that might satisfy the accounting community but create more problems than it solves.

Regards

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