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From: Sent: Satt Bains [sbains@cisco.com] Thursday, June 24, 2004 1:58 PM Letter of Comment No: 5251

File Reference: 1102-100

Director - FASB

To: Subject:

Reference No. 1102-100

Importance:

High

Dear Chairman Robert H. Herz,

I am writing in regards to the FASB plan to treat broad based stock options as an expense. As an employee and individual contributor for Cisco Sytems, I urge FASB not to expense stock options, especially at the high valuation proposed that would eliminate stock options as a tool to drive employees. Stock options are a great way to motivate employees like myself, especially in today's economic environment. Ever since I began at Cisco four years ago, there has been much talk about the benefits of stock options. I, personally have not been able to benefit from stock options to date, due to the economic downturn. But now that we see glimpses of a slightly improved economy, stock options will assist me in remaining focused and going above and beyond my duties to make this company better, as there is a sense of ownership involved, even if it is a very small amount.

Employee salaries have not increased substantially in the past three to four years and in some cases have decreased. This makes it very difficult living in areas, such as the Bay Area. The housing market continues to grow and prices on homes continue to rise. Honestly, I can never see myself as a homeowner, strictly based on my salary and ad hoc bonuses. The only way I can see myself remaining in the Bay Area and working in the Silicon Valley, is if there is a chance that I can grow financially through company based stock options. The days of becoming a millionaire off of stock options are over, especially for individual contributors like myself. All we can ask is that there is a chance that we can exercise our stock options for a down-payment on a home/condo. The amount of stock options I receive are not substantial but enough to motivate me and to provide a chance for a better future for my family.

Expensing stock options at a time like this, I personally believe would devastate employee moral, thus effecting productivity, employee leadership and innovation. Companies such as Cisco and other Hi Tech US companies need stock options to compete with international countries, especially since we're seeing more and more jobs being transferred to over seas. Also, options are already accounted for when options are exercised, thus impacting the earnings per share.

Mr. Chairman, I would like to thank you for taking the time to read my message.

Best Regards,

Satt Bains

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