

Stacey Sutay

Letter of Comment No: 173
File Reference: 1102-100

From: Michael McCuan [mmccuan@cisco.com]
Sent: Monday, April 19, 2004 5:18 PM
To: Director - FASB
Subject: Employee Stock Options Considerations

Dear Chairman Robert H. Herz, (File Reference No. 1102-100)

I must urge you to carefully consider the impact of treating employee stock options as an expense item.

Please consider the vast success of Cisco System, which I am a seven year employee.

I'm sure that you will agree that the innovation and growth demonstrated by Cisco is a model for all companies to follow, which will lead our country into a strong economic recovery and a encouraging future.

I have to admit that my motivation to work harder, longer hours, be a team worker and be more creative is due to selfish motives. My family can barely live paycheck to pay check. I have four children and there is little paycheck left for anything extra, such as college or savings. The only hope I have for my kids and myself is through the value of the company stock options. By working harder and smarter, I can drive the value of the company higher which benefits the company, stock holders, the country and myself.

I have heard that some people think that stock options should be an expense item. However, that isn't logical since they do not use company assets. Others may think that stock options may dilute EPS. But, this is also false because the cost is accounted for when options are exercised. So, there is no logical reason for making stock options an expense item. The only reasons I can think of why someone would even consider this is because they don't have the facts or there are other political reasons.

You have to admit that employee stock options are a strong motivator for key innovators to join Cisco, stay with Cisco and add value to Cisco and it's stock holders.

The employee stock options are a win for me, a win for Cisco and a win for our country. The U.S. has driven out virtually all manufacturing jobs outside the U.S. Thus, the only way we can maintain our economic stability is to drive new innovation. How do you motivate innovation? Provide incentives to the companies who foster innovation and their employees. Employee stock options are the key to that motivation.

Personally, I have to state that I honestly depend on my stock options for my future and the future of my children. I work daily to add value that will increase the valuation of the company. Why? Because we all win when people work together for a common good and we all have a vested interest in our common success.

Mr. Herz, will you please join me in the effort to preserve employee stock options?

Kind regards,
Mike McCuan