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Letter of Comment No: 3401

File Reference: 1102-100

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From: Stacy Melillo (smelillo) [smelillo@cisco.com]

Sent: Thursday, June 10, 2004 10:45 AM

To: Director - FASB

Subject: File Reference No. 1102-100

Dear Mr. Chairman Robert H. Herz.

I am sending this email to ask you to reconsider your position on expensing stock options. As an employee of Cisco Systems I can tell you that stock options are the only way I have been able to afford a modest home in the Boston area. I have given a lot of thought to the idea of expensing stock options and I feel that using the methods proposed does not adequately show the appropriate expense. I have been an employee at Cisco for more than four years. During that time I have received small, yearly option grants. These grants have really made me work extremely hard at improving the earnings at Cisco so that I may benefit should the price of the stock go up in value.

Prior to joining Cisco I was an employee at a small start-up. I would not have taken the job at this company unless I had received stock options. Smaller companies do not have the ability to pay salaries that keep up with well established companies. So I took a 25% pay cut and was given options that, at the time, I hoped would be worth something. I worked many long hours at this start-up, and in the end was rewarded when the company went public. I can assure you that if I had not received those options I never would have taken a 25% pay cut and would not have joined a truly innovative company. I believe it is imperative to the growth of this country to reconsider expensing broad-based stock options.

Thank you for your consideration,

Stacy Melillo