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Letter of Comment No: 2174 File Reference: 1102-100

From: Sent: To: Robert Dunn [redunn@cisco.com] Monday, May 03, 2004 1:52 PM

Director - FASB

Subject: Expensing of Stock Options: File Reference No. 1102-100

Dear Chairman Robert H. Herz:

Employee ownership via stock options was a key reason I wanted to join Cisco Systems. The notion of an innovative technology company, positioned for success in global competition, looking for highly motivated individuals to contribute to the vision and the willingness to share an equity stake was a compelling package for an employer to offer.

Clearly, there are risks to working in the technology space such as constant product commodization, short product life cycles, and non-US competition that have lower labor costs or don't adhere to our intellectual capital laws. Options are a way to compensation employees for sharing in the risk-reward equation.

My former employer offered more cash than Cisco but no options. It was a stoddy, non-agile, non-competitive, internally focused organization. The employee stock option program is a key part of the compensation equation and culture at Cisco. Expensing them will damage the culture of our company and industry. Not only will the options we already have be worth significantly ess because the stock price will drop because expensing options will lower earnings, but the upside potential of the future will be more limited. By limiting the reward side of the equation, expensing options also dampens the drive, enthusiasm, and effort of employees to innovate and compete. Obviously this effect is detrimental to the long term performance of our economy. The proposal seems completely counter to creating the right incentives for our companies and our economy to be successful.

Best Regards,

Robert E. Dunn

Director, Internet Business Solutions Group

PS. I don't believe anyone can accurately forecast what options will be worth or "cost" the company in the future. The cost is only through the issuance of shares which doesn't "cost" the company anything. Creating an expense that hits the earnings as hard as the current proposal would is simply irrational.