Letter of Comment No: 1316 File Reference: 1102-100

Len Tatore

From: Leonard Luna [leonardl@cisco.com]

Sent: Wednesday, April 21, 2004 7:11 PM

To: Director - FASB

Subject: File Reference No. 1102-100

Attn: Chairman Robert H. Herz

Dear Sir,

My employer has brought to my attention that the Financial Accounting Standards Board has drafted a plan stating that they intend to treat stock options as an expense. The valuation proposed would make it very difficult for companies to continue offering broad-based employee stock option programs like the one we currently have at Cisco. I write to you to express my concern over this issue.

After 18 years in the automation industry, in 1999 I decided to make one of the most risky career decisions of my life. I decided to change industries and join Cisco Systems in great part due to their innovative and aggressive employee ownership programs - stock options and profit sharing. To explain my rational and motivation to make the transition from automation to tele-communications, I must describe my experience in the automation industry.

When I started in the automation business, specifically - microprocessor based motion control equipment, the industry was young (as was I), innovative and able to demand healthy margins, which fueled the growth and proliferation of US based manufactures in the automation industry. As the industry matured, as is often the case, it suffered from commoditize-ation and international competition/pricing pressures. As the pressures mounted, many of the most talented were easily and frequently lured away by other US competitors, or by the promise of greater wealth as a distributor of the technology. This constant employee migration and changeover within the US industry resulted in a leveling of the playing field among US manufactures (no real solid leader), a slowing of innovation among US manufactures, a window of opportunity for international competitors to catch-up and even take the lead in various vertical segments, and a overall weakening of US leadership in this industry. In my opinion, the enticement to quickly improve one's personal economic situation made it difficult for any one company to maintain a long term vision or plan to keep the innovation levels high and the market profitable.

By the time I left the automation industry, I had developed a strong resume and was very marketable as a Director or Manager of an Automation Marketing Team. So why leave? I had no vested interest holding me there except for a 401K program and a modest retirement package, which is nothing that I couldn't continue to contribute to regardless of industry.

Cisco systems and its stock option program presented a very different opportunity. In my short time here (3+ years) I have improved my "nest egg" (all be it potential value at this point) more than I had in the previous 18 years, and I have achieved that while under a pay freeze for practically all of my three-plus years with Cisco. Due to vesting, I have no plans to leave Cisco anytime soon, and I have received some very compelling and generous offers from the Automation Industry over the past 3 years to do so. Yes, Cisco does suffer from turn-over, but nothing like the levels I experienced in other industries or companies that do not make the type of profit sharing commitment that Cisco does.

Stock-Option programs work. They reward loyalty and encourage hard work and contributions that really make a difference. They address booth democratic and republican issues and concerns for financial independence of American workers. They help keep American companies strong and technology leaders. Stock-Option programs are cost-effective solutions that keep companies whole and capable of executing on long term plans and visions. Why would you implement a change that would discourage this type of solutions that encourages a productive employer and employee relationship?

Please reconsider this plan and let employees like me, and families like mine have an opportunity to achieve a comfortable life-style and retirement in exchange for loyalty and hard, quality work.

Thank you,

Leonard Luna Marketing Programs Manager Cisco Systems - OPPM Group Marketing Petaluma CA, 94954 Phone: (707) 285-5396

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