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From: Jim Keyes [jkeyes@cisco.com]
Sent: Tuesday, April 20, 2004 2:36 PM

To: Director - FASB; savestockoptions@cisco.com; jkeyes@cisco.com

Subject: Expensing of Stock Options

Chairman Robert H. Herz,

I am writing you as a 9 year employee of Cisco systems with over 20 years experience in the high tech industry. On a personal level stock options have enabled me to participate in the American dream whereby individual effort and contribution is rewarded. If stock options are expensed I have real concerns about the long term impact within our industry and my individual long term job security. I support my company's position on this issue as follows:

Accounting Issues:

- * The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
- * Stock options do not meet the definition of an expense because they do not use company assets.
- * The true cost of a stock option is dilution of earnings per share (EPS) and is already accounted for when options are exercised.

Competition:

- * U.S. companies need stock options to compete with other countries on a global basis. (Example: Chinese companies use stock options and they do not treat them as an expense.)
- * Expensing stock options could have a dramatic impact on American high tech leadership, innovation and job creation. In today's economic environment, the number one rule should be 'first, do no harm'.

Sincerely,

Jim Keyes Cisco Systems.