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From: Sent: Yvon Sauvageau [ysauvage@cisco.com] Tuesday, April 20, 2004 4:20 PM Letter of Comment No:825

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Director - FASB

To: Subject:

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Chairman Robert H. Herz

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It is not entirely clear to me what problem the stock option expense "solution" is trying to fix. I see no public outcry over stock options; in my view "If it ain't broken, don't fix it". This movement seems to be one of the responses to the recent corporate scandals. But the companies that will be hit directly are the small innovative startups. After all, employees in large corporations cannot realistically expect that their stock options will skyrocket in value, they know that the large company they work for is already almost as large as it can be. The reason large corporations care about this issue is that startup acquisition is the most effective way of enriching their product lines with innovative new products. And this helps large corporations sustain their competitive advantage over foreign lower priced and "commoditized" products (which mostly originated as US innovations before becoming commodities over time). Expensing options will have long-term systemic repercussions in the Silicon Valley, and elsewhere.

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