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Letter of Comment No: 659 File Reference: 1102-100

From: Robert Goyette [rogoyett@cisco.com]

Sent: Tuesday, April 20, 2004 9:45 AM

To: Director - FASB

Cc: savestockoptions@cisco.com

Subject: File Reference No. 1102-100

## Chairman Robert H. Herz,

I wish to express my concerns and thoughts in regards to the affects of expensing stock options.

## 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 needs 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'.

I would greatly appreciate you considering the consequences and effects that expensing stock options would have.

Regards, Robert Goyette Cisco Systems, Inc.