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To: Director - FASB

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Subject: Expensing Stock Options

Chairman Robert H. Herz

I'd like to share some thoughts with regard to the recent developments around expensing stock options. Employee ownership has been a part of the Cisco culture since day one. We all contribute to Cisco's success and we should all benefit when the company is successful. The basic tenet of employee ownership is now under fire. I feel that the proposed rule changes are unfair for a few reasons:

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'.

Please reconsider and reevaluate this issue, I urge you not to treat stock options as an expense.

Vinav Nichani

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