ikon Letter of Comment No; 193
File Reference: 1102-100

From: Kyle Nichols [kynichol@cisco.com]
Sent: Monday, April 26, 2004 12:22 PM

To: Director - FASB

Subject: No. 1102-100, Chairman Robert H. Herz

## Hello Robert.

I am sending this letter in hopes that it will help sway your decision in treating stock options as an expense. 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 valuation you are proposing would make it very difficult to continue broad-based employee stock option programs like the one we currently have at Cisco.

## PLEASE DO NOT EXPENSE STOCK OPTIONS, ESPECIALLY AT AN UNREALISTICALLY HIGH VALUATION!!!!

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. I believe the artificially high valuation for a stock options required by FASB will eliminate stock options as a tool which has driven innovation and productivity within Cisco Systems and companies across the country.

I also believe that U.S. companies need stock options to compete with other countries on a global basis. 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 rely on stock options in these trying times as a fall back should something more dramatic happen with the American economy. I also rely on stock options should any emergency arise that may go above and beyond what I have in savings. My wife and I are also about to try to have children and with the cost of living, child day care, health care, college, gasoline, housing and just about everything else you need to survive in this country, not having stock options might keep us from realizing our dreams of having a family sooner than we'd like.

So I urge you to please do the right thing, do not expense stock options at an unrealistically high valuation. Think of the many people in this country, citizens that rely more heavily on stock options to survive in this trying economic time. This decision will have a huge impact on the livelihood of your fellow Americans and let's not forget the trickle down theory and how those Americans children will also be affected by your decision.

Thank you,

Kyle Nichols Cisco Systems, Inc.