Len Tatore

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Letter of Comment No:1435
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From: harsha nagaraj [hnagaraj@cisco.cor Sent: Thursday, April 22, 2004 7:16 PM

To: Director - FASB

Subject: Please don't expense stock options: File Reference No. 1 102-10

Chairman Robert H. Herz,

Let me start with saying I am not a finance expert. But We have debated the expensing of stock options on employee news groups in the past. I learnt about merits to both sides of the issue. One fundamental problem is the question of how should the options be accurately priced. Until a proper model is defined and broadly applied, the shareholder will still be receiving inaccurate information when reading the financial statements.

I will admit, up-front, that I oppose the expensing of broad-based employee stock option programs purely from the perspective of financial self-interest. A good portion of my compensation at Cisco is in the form of options. These options represent my future hopes of sending my kids to college.

After evaluating the financial benefits of options to companies, I do not see why tech companies would continue to offer options or maintain their existing options if broad-based stock employee stock option programs must be expensed. If expensing is implemented by the FASB, I fully expect that most tech firms will stop offering, and rescind all outstanding options to the bulk of their employees.

I want you to imagine a Cisco in which no more employee stock options are handed out, and in which all of our existing options are suddenly rendered valueless. This is my vision of the future if the FASB implements expensing, and why I am writing the FASB

With Regards Harsha Nagaraju