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Letter of Comment No:597
File Reference: 1102-100

From: James Steinhardt [jsteinha@cisco.com]
Sent: Tuesday, April 20, 2004 10:09 AM
To: Director - FASB
Subject: File Reference No. 1102-100 - Expensing Stock Options

Chairman Robert H. Herz,

I understand that the Financial Accounting Standards Board released a draft plan stating that they intend to treat stock options as an expense. I believe this would be a huge mistake. While there have been several high profile cases of abuse and corruption by corporate executives at companies like Worldcom and Enron, this has nothing to do with the use of stock options for the average employee. Stock options are a vital tool to drive productivity and corporate allegiance. I personally feel that I stand to gain a great deal over time if I help make my company successful and drive up the value of the stock. Without stock options, I could not possibly afford to send my children to the colleges they want to attend.

If stock options are required to be expensed, companies like mine will cease to distribute them to the average employee. However, the top executives will continue to get stock options regardless of the ruling on expensing options. If this happens, we will have eliminated the true benefit that stock options provide and we will not have addressed the real problem. A few unscrupulous executives will still try to artificially drive the price of the stock up in the short term for personal gain. I believe the answer to this problem should be to limit when executives can exercise options. I believe our company already imposes strict limits on when executives can exercise options. This should be imposed upon all executives and enforced at all companies.

Thank You,

Jim Steinhardt