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Letter of Comment No: 2467
File Reference: 1102-100

From: Anders Giltvedt [GiltvedtA@wcb.com]
Sent: Monday, May 17, 2004 12:13 PM
To: Director - FASB
Subject: Expensing Stock Options

Dear Director:

Expensing stock options does not make sense at this time as there are a number of subjective technical issues to be addressed prior to implementation. If these are not resolved, the will be a lot of time time spent rationalizing the indivdual assumptions within each company, leading to non-comparable assumptions utilized in determining the value of stock options. Consequently inconsistent stock option valuations, expense impacts, "performance" as defined, and, equally as important, perceptions of performance, will result from such rationalizations. In short:

No valuation model for options (e.g. the Black-Scholes or lattice models) is considered to be reliable, consistent or comparable.

Stock options are very different from market-traded options. It is impossible to create an accurate value, and expensing stock options based on available methodologies would in fact undermine the credibility of financial statements.

Additionally, incorporating stock option impact both in the nominator, through expense and therefore earnings, and in the denominator, through fully diluted shares, results in overstating the costs of options calculated utilizing any of FASB's approved model for stock option expense estimation. The impact of such mathematical inconsistency will aggrevate the expense, particularly for certain industries, and will have significant influence on how much time and money companies will spend figuring out how to minimize their stock option expense as well as come up with new forms of compensation with less impact.

Expensing stock options would undermine the underlying foundation of the entrepreneurial spirit in the US.

Sincerely,

Anders Giltvedt
EVP & CFO
West Coast Bancorp