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From: Ronald Westhauser [rwesthau@cisco.com]
Sent: Thursday, April 22, 2004 4:39 PM
To: Director - FASB
Subject: Don't Expense Stock Options (File Reference No. 1102-100)

Letter of Comment No: 1536
File Reference: 1102-100

Dear Chairman Robert H. Herz,

Please stop all actions to treat employee stock options as an expense.

I have worked in the high-tech industry all my career and have an MBA from Harvard Business School. It is clear to me that expensing broad-based employee stock options is the wrong thing to do.

First, the proposed method of valuing options is much too inaccurate and would cause gross distortions in company accounting. It is impossible to accurately project the future value of the options, so this method would create accounting distortions that would blur the true financial picture of a company. The financial impact of the options is already fully captured in the dilution of earnings per share.

Second, the expensing of stock options would reduce the use of options by high-tech companies. This would further accelerate the transfer of jobs outside the U.S. where employees can be effectively compensated for the risk they take in high-tech. It is essential for the U.S. to attract and retain the best and brightest employees through the use of broad-based employee stock option programs. If you take the foolish step of pushing for stock option expensing, you will cause irreparable harm to the U.S. economy.

Every high-tech company that I have worked at has effectively used un-expensed stock options to drive innovation and creativity through prudent risk-taking. Please don't damage U.S. competitiveness by recommending the expensing of stock options.

Sincerely,

Ronald M. Westhauser