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Letter of Comment No: 184a
File Reference: 1102-100

From: fhenning [fhenning@gte.net]
Sent: Friday, April 23, 2004 10:10 PM
To: Director - FASB
Subject: File Reference NO. 1102-100 pertaining to treating stock options as an expense.

Dear Chairman Robert H. Herz,

I am writing you in regards to the File Reference NO. 1102-100 pertaining to treating stock options as an expense. Not only would this be an issue from an accounting standpoint it would also hurt U.S. companies ability to remain competitive in a global market at a time when we need to support U.S. business not hinder them. I have outlined a few key points below.

Accounting Issues:

- The artificially high valuation for a stock option required by FASB will eliminate stock options as a tool which has driven innovation and productivity.
- 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.

Competition:

- U.S. companies need stock options to compete with other countries on a global basis. (Example: 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'.

From a corporate standpoint they provide a great means to motivate employees to work harder for both the companies and the shareholders common goals. I urge you to NOT expense stock options.

Sincerely,

Fred Henning
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