## Len Tatore

Letter of Comment No: 1692 File Reference: 1102-100

From: Shults, Mitchell T [mitchell.t.shults@intel.com]

Sent: Thursday, April 22, 2004 8:25 PM

To: Director - FASB

Subject: Regarding Expensing Of Employee Options: File Reference No. 1102-100

Dear Sir.

I have been following the debate regarding the requirement to expense employee stock options with great

I hope that such a respectable, credible, and reliable organization as the FASB will not be persuaded by the politically motivated emotions of the moment to create a rule that will server only to:

- Limit the economic opportunities of large numbers of hard-working Americans, 1.
- 2. Put the entire nation at a distinct competitive disadvantage vs. countries like China, who actively support greater use of options,
- 3. Hugely distort the results reported by public companies, and
- 4. Fail to discipline the misguided executives who think they're beyond the law anyway.

I was once involved in audit and attest work at a Big 8 accountancy. I understand what it means to keep accurate books. I'm also familiar with the myriad ways by which criminally inclined executives can defraud their stockholders. Government needs to do its job by stripping such executives of their assets and throwing them in jail, not by punishment of the uninvolved, as the options accounting rule proposal will do.

I'm familiar with the profound limitations of the Black-Scholes equation on which most proposals for valuing options are based. There is simply no valid basis for grant-date valuation of the future value of an unexercisable option.

To suggest that there is such a basis defrauds investors by distorting the reported accounting results of public companies. Well-run companies understand that they must periodically buy back shares in order to avoid dilution. When such shares are purchased, that is an expense that can, should and is being recognized on the books. Over time, these purchases serve to provide an accurate picture of the underlying economic reality of a company's operations - which is the fundamental purpose of accounting.

Creating imaginary numbers to account for stock options, and thus denying hard-working Americans the opportunity to become financially secure, is a travesty of political manipulation, inappropriate to the proud tradition of the Financial Accounting Standards Board.

Sincerely Yours,

Mitchell T. Shults