

Len Tatore**Letter of Comment No: 1681**
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To: Director - FASB
Subject: File Reference 1102-100

By treating employee stock options as an accounting expense, you are disregarding three critical issues. First, employee options are not freely tradable. How do you value something that has no market? How do you put a price on something if it's not for sale? The answer is that you cannot. There is no accurate way to value these options without an open market.

Second, employee stock options are subject to lengthy vesting periods—typically four or five years. If the employee changes jobs before the options vest, they are forfeited. Will you provide a credit for when people forfeit their options because they have already been expensed?

Finally, employee stock options will be exercised only if the stock price rises above the strike price. How does one predict future stock prices with any degree of certainty? There are entire industries dedicated to such a practice, yet no one is able to predict with absolute certainty what a stock price will be over a given length of time. Does your rule provide for credits when the stock is below strike price to balance...and isn't that funny money because any intelligent employee wouldn't exercise those options.

As an employee of a high tech company that offers stock options to all employees, yes ALL, even my secretary gets them..I have found that it is a great retention tool and creates a strong focus on the companies success. As a stock holder of my company I am happy that all the employees are vested in making the company successful – they have the keys and I want them vested in the success of my investment as well.

I understand FASBs desire to address sr executives getting inappropriate compensation...so why not focus on solving that problem and not punishing companies or employees who have working systems.

It is ironic that a communist country, the People's Republic of China, is encouraging the wider use of stock options, while in the U.S. the FASB wishes to make option grants to employees much more difficult and expensive. This FASB proposal will harm the ability of Americans to innovate and drive our nation towards second tier status.

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