Len Tatore

Letter of Comment No: 1679
File Reference: 1102-100

From: Jim Macko [jlmacko@jps.net]
Sent: Friday, April 23, 2004 2:01 AM
To: Director - FASB
Subject: Reference No. 1102-100

Dear Director:

By treating employee stock options as an accounting expense, it disregards three fundamental 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.

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.

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.

Thank You

James Lee Macko
Former employee of Intel Corporation (retired)