

Len Tatore**Letter of Comment No: 1704**
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From: Crow, Kevin T [kevin.t.crow@intel.com]
Sent: Thursday, April 22, 2004 7:49 PM
To: Director - FASB
Cc: Crow, Kevin T
Subject: File Reference No. 1102-100

To Whom It May Concern,

I am really discouraged to hear that the FASB is considering mandating the expensing of stock options. Stock options are a key incentive that companies can provide to their workers, allowing them to compete for talent, while not impacting cash flow. Rewards are reaped from stock options only if the company does well (I don't mind more language around strike prices, etc, to provide incentives for good company performance). Don't you think this is a tool that has helped grow our economy over the past 30 years? Lastly expensing them has no basis on solid accounting principle. Consider the following:

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. How will you value the possibility that options will be forfeited? This requires psychic ability I don't think anyone has.

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. Nobody has been able to predict the stock market with any accuracy. Now you're proposing an accounting practice that mandates forecasting accuracy for specific securities? That won't happen.

This FASB exposure draft is sure to be greeted with relish by our competitors in Asia and beyond. Entrepreneurs in China, Singapore and India will not just continue to focus on software development or other low-tech industries. They will create global economic powerhouses there which will be listed on those stock markets. In its latest five-year economic plan, the Chinese government explicitly calls for broader use of stock options to attract and retain key talent in China.

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.

Please put down your pencils and think about what is right for the nation.

-KTC

Kevin T. Crow

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