

**Len Tatore****Letter of Comment No: 1744**  
**File Reference: 1102-100**

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**From:** Hyde, Nick W [nick.w.hyde@intel.com]  
**Sent:** Thursday, April 22, 2004 7:07 PM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

Dear FASB,

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. If stock options are not exercised after a certain time period will the corporation be able to get a reduction on the expense of current stock option given? If not then the corporation had to take an expense from earnings but is still receiving the money. That will artificially reduce the profits reported by the company and give an unfair advantage to those who not provide that type of benefit to their employees. Companies will most likely stop offering this type of benefit to their employees.

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. If companies reduce their earnings now then all the stock options that have already been granted will take even longer to be of any value to employees. It will cause entire sectors of the economy to be negatively impacted, possibly severely. Not to mention that it will take away compensation to highly skilled professional employees.

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. This FASB proposal will harm the ability of Americans to innovate and drive our nation towards second tier status.

As an individual receiving stock options, I have plans to use them for purchasing a home and for retirement. If the stock price of my company is negatively effected by expensing stock options on whatever fuzzy math equation is used, then that will not only negatively effect me, but the economy as a whole.

Please do not force stock options to be expensed.

Sincerely,  
Nick Hyde

4/23/2004