Letter of Comment No: 1741

File Reference: 1102-100

Len Tatore

From: Stevenson, Diane D [diane.d.stevenson@intel.com]

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To: Director - FASB

Subject: File Reference No. 1102-100

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.

Therefore, I am asking that you do not mandate the expensing of stock options. By doing so, it will not only create a regime of inaccurate accounting, but it will also make it much more difficult for companies like Intel to sustain broad-based employee stock option plans.

Sincerely,

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