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Letter of Comment No:1758
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From: Olney, David [david.olney@intel.com]
Sent: Friday, April 23, 2004 1:23 PM
To: Director - FASB
Subject: RE:1102-100

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I am writing to oppose the proposed changes in the accounting standards with regards to treating employee stock options as an accounting expense.

The proposed changes bother me because they appear to overlook some basic issues:

- We cannot freely trade our employee stock options so they actually have no value until they are exercisable. Frankly, I don't understand how their value can be determined in the marketplace if I they can't be sold.
- Our employee stock options are subject to lengthy vesting periods—typically four or five years. If an employee leaves the company before the options are vested, the options are forfeited.
- When our stock options are vested, they won't be exercised unless the stock price is above the strike price. Currently, the strike price for many of my exercisable options is significantly higher than the current price at which the stock is trading. Essentially, they have no value. So, I am confused. How can you 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.

Employee stock options spur entrepreneurial activity and provide significant incentives to attract the best talent to drive cutting edge technologies and maintain our competitive advantage in the global marketplace. This FASB proposal severely compromises that effective free market tool and will inhibit our ability to attract and motivate top talent.

Other countries are turning to employee stock options to spur entrepreneurial activity in order to compete more effectively against America. Recently, the PRC government called for use of stock options to attract and retain key talent in China modeled on the very system we have, today. So, while China is advocating wider use of employee stock options, an arm of our own government seeks to limit the use of employee option grants and make them more expensive.

This FASB proposal will do a lot of harm by limiting the ability of Americans to innovate and will result in our nation taking a back seat to nations like China. That doesn't seem like very good public policy for America or Americans. I urge FASB to stop and reconsider the proposal to expense stock options. Don't implement another policy that will limit our ability to motivate entrepreneurial behavior that drives technological innovation that keeps America strong. Let's continue to use employee stock options to attract the best and brightest people to sustain America's competitive edge in the world marketplace.

Thank you.

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