Len Tatore

Letter of Comment No: 1734 File Reference: 1102-100

From: Fox, Kyle [kyle.fox@intel.com]

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To: Director - FASB

Subject: File Reference No. 1102-100

To: FASB

From: Kyle Fox, Product Marketing Manager, Intel Corporation

I'm writing today to express my concerns regarding the effort by the FASB to mandate stock option expensing.

I have been in the high technology sector for 9 years. Over that time, I have seen and participated in the expansion of the economies

of China, India, Taiwan and others. This expansion has been driven in large part by high technology manufacturing and development

investments by these countries. To speak frankly, they are good at it and are getting better.

While this is certainly a good trend in that

the expansion of these economies will help open larger markets for U.S. products and expertise, it is a concern of mine that these countries will do whatever it takes to hire the best talent to feed their high tech engines. They are following the U.S. lead in providing broad compensation packages which includes stock options. It worked in the U.S. so why would they not take advantage of such a powerful tool to attract and retain high caliber employees? My company is already competing with other high tech companies based in these countries for talent; especially talent that is willing to locate in those countries from the U.S. or that are hired locally.

My biggest concern and the main question I have for your organization is: Why do you feel it necessary to bind the hands of U.S. based companies and force them to compete for new hires without the right compensation tools? By treating stock options as an accounting expense you are going to slowly, and then subsequently quickly, bleed my company and other U.S. firms of the talent that will keep us the top innovators over the next two decades.

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.

This FASB exposure draft will be greeted with enthusiasm by my company's competitors. I am already competing with huge economic power houses which already rival Intel in both revenue, product line and engineering capabilities (try to compete with Samsung if you do not believe me) for the market segment my business group serves (cell phones). Your proposal is

going to help create even more global economic powerhouses in these countries Just as an example, 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.

I want my children to enjoy the same opportunities and standard of living that I do today. Your push for expensing stock options is going to make it harder for me to make sure that happens.

Regards

Kyle Fox Product Marketing Manager Intel Corporation