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Letter of Comment No: 1733
File Reference: 1102-100

From: Skinner, Michael P [michael.p.skinner@intel.com]
Sent: Thursday, April 22, 2004 6:51 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Dear Mr. Edmund L. Jenkins

Director of FASB

I take exception to the recent proposal to expense options for the following reasons.

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. In all companies that I have worked at they were issued at FMV so had they been exercisable when issued they would have had zero value. Two of my previous companies were not even public and went bankrupt before they did.

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 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.

Further it is my belief that my current employer as well as my previous companies did not bestow me options out of the goodness of their hearts but a real financial interest in attracting and retaining the best employees. Stock options breed company loyalty and frankly country loyalty. The best and brightest foreign students are more likely to return to their countries (where cost of living is low and growth is high) when they have completed their educations in this country. Options can and have provided a golden handcuff that many of us have gratefully put on.

The issue with options to me has been the inequity in options I have seen in my past employers (Dow Chemical and IBM) where only the top management got options. The use of options in start up and the competitive field where Intel competes helps compensate people for extraordinary effort and hours that are required frequently in lieu of extra salary (especially true for the exempt ranks).

Thank you for your time and I hope that you very carefully consider the impact of any decision and I hope you examine the companies where it has done so much good.

Sincerely

Michael P. Skinner, PhD

P.S. before you dismiss me as an academic PhD who is out of touch with blue color workers I just wanted to say that I put myself through college digging ditches and working on car assembly lines. I did all my MS and PhD while working full time.