

Letter of Comment No: 1691
File Reference: 1102-100

Len Tatore

From: Raimondi, Frank [frank.raimondi@intel.com]
Sent: Thursday, April 22, 2004 8:22 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Dear Director,

I have been reading about, and hearing from my employer Intel Corporation, about the FASB's interest in forcing the expensing of options for all US companies. I don't pretend to be a tax accountant by any stretch, but from my research your plan makes no sense at all, and I am strongly urging that you rethink your proposals.

The three fundamental issues of concern are:

- 1) 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.
- 2) 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.
- 3) 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.

On a personal note, the stock options I have received and exercised have afforded me some things in my life that may not have been possible through standard salary. The taxes I've paid on those activities have been significant, yet understandable. If my company is forced to cut back on delivering options to a broad base of employees, I won't have the resources to expand my lifestyle like I'd like to, nor will many other employees. The trickle effect on the economy will be significant as disposable income could drop.

Please reconsider your recommendation, and don't be swayed by the bad deeds of a few companies, and be realistic about the impact on the US economy overall, and specifically our competitiveness against other countries offering wide range of employee growth options, such as China. How ironic that a communist country would recommend that companies offer broad scale options plans to company employees, and the greatest and freest country in the world wants to force the restriction of them.

Sincerely,

Frank Raimondi

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