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To: Director - FASB
Subject: File Reference No. 1102-100

To whom it may concern:

I understand that the FASB is pushing hard to force corporations to expense stock options. In my opinion this action will make financial statements less reliable, if not completely useless. In addition, you will force the adoption of pro-forma P&L statements much more broadly. Over the years I have traded lots of options in the market, both short term and long term, and the fact of the matter is that no one can reliably predict the outcome of an option position. If I could do that I would now be sitting on the Bahamas's staring at my 150 foot yacht, which I'm clearly not.

There are three fundamental issues with treating employee stock options as an accounting expense. First, employee options are not freely tradable. The question is really how to value something that can not be bought or sold, or in other words has no market. You can't realistically put a price on something that you can't sell. There is no accurate way to value stock options without an open market in which to trade those options. Second, employee stock options are subject to lengthy vesting periods—typically four or five years. During my tenure as a Manager many employees have left the company long before their options vested. The options of those employees were all forfeited. It makes no sense to expense something when you don't know if the item in question might never be exercised. Thirdly, 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. I'll reiterate my first point. After years of actively trading in the stock market, both long term and short term, I can assure you that there is no predictable way to figure out what the market is going to do, let alone what a stock is going to do.

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.

I hope you will take the points above in serious consideration before ruling on this subject.

Regards,

Ton Steenman



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