ikon

Letter of Comment No: 1800
File Reference: 1102-100

From: Fiftal, Kevin [kevin.fiftal@intel.com]
Sent: Friday, April 23, 2004 8:17 AM
To: Director - FASB
Subject: File Reference - No. 1102-100

Dear Sirs;

As an employee of Intel which I view as one of the United States' most dynamic, successful organizations, I am not in favor of treating employee stock options as an accounting expense.

It takes enormous incentive out of both working for a U.S. corporation and it opens the door to yet, another regulation that provides a completely homogenized American business structure. Global competition is competitive. Always will be for the foreseeable future.

Logically, if we were to state what is the 'worker's perspective, what keeps them working for Intel and like American companies, one of the key answers would be that I believe I am in integral part of an organization where I have a voice, a financial incentive to produce GREAT products and services and the pride to perform as a key employee of one of the World's greatest companies.

I have worked for two global foreign organizations. A Japanese electronics giant and a large German conglomerate. The work was lucrative, the challenges immense but there was something missing… I would call it ownership. I never owned a piece of the effort.

So while FASB appears to be advocating a homogenized accounting structure, I believe the net result would be something different in its entirety. I believe U.S. companies will become less competitive, I believe my free rights regarding hard work and due rewards will be minimized and the financial strength of a future amorphic and less than precise structure of options would result.

This is not an enviable position to be in for any sustaining business in a highly competitive global economy. I also believe 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 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.

Sincerely.

Kevin L. Fiftal
5 West Mystic Avenue
Mystic, CT 06355
860.536.3539