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From: Gagne, Christopher K [christopher.k.gagne@intel.com]
Sent: Friday, April 23, 2004 10:43 AM
To: Director - FASB
Subject: File Reference No. 1102-100
Importance: High

Dear Director:

I understand that FASB is requesting comments concerning its proposed draft regulations that would require the expensing of employee stock options. For the following reasons, I strongly oppose the mandating or adoption by FASB of any regulations that would require the expensing of stock options.

By treating employee stock options as an accounting expense, the proposed regulations disregard three fundamental issues. First, employee options are not freely tradable. It is impossible to accurately value an asset that is cannot be sold on the open market. Quite simply, there is no way to accurately value employee stock options, since there is no free and open market for such options.

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 can be exercised only if the stock price rises above the strike price. It is impossible to predict future stock prices with any reasonable degree of certainty.

This FASB exposure draft is sure to be greeted with relish by foreign competitors, since it will place the U.S. at a clear competitive disadvantage. Indeed, 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.

Accordingly, I ask that FASB not mandate any regulation requiring the expensing of employee stock options.
Sincerely,

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