ikon

Letter of Comment No: 2754
File Reference: 1102-100

From: Dover, Richard W [richard.w.dover@intel.com]
Sent: Tuesday, May 25, 2004 3:54 PM
To: Director - FASB
Subject: Reference No. 1102-100

Three fundamental issues are being disreguarded by treating employee stock options as an accounting expense. 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. The bulk of my options are vested over ten years.If I change jobs before the options vest, they are forfeited.

Finally, my 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.