Len Tatore

Letter of Comment No:1747 File Reference: 1102-100

From: Kalkunte, Suresh S [suresh.s.kalkunte@intel.com]

Sent: Friday, April 23, 2004 6:11 AM

To: Director - FASB

Subject: File Reference No. 1102-100

Dear Director.

Please consider my thoughts on the proposal to expense stock options:

Expensing stock options can have the following potential negative effects:

- A US based company unable to hold a competitive advantage in the global market place.
 - Due to lack of passion to leap-frog in their respective markets.
 - Loose employees to companies in an emerging market like China where the Chinese government explicitly calls for broader use of stock options to attract and retain key talent in China.
- Cause the US a reversal in maintaining a vibrant work-force that has powered the US economy even after the Internet bubble collapsed 3 years ago owing to high productivity.

I have been part of Intel for the past 5 years,

- Having worked this long and come across a number of like minded employees, I speak for not just myself, by being empowered with a part of the company (by giving us stock options) we are challenged to realize our judgment in making intel successful, not to make a quick buck by casing in our stock options as the stock option expensing would suggest. Success here is measured in the form of increasing share holder value, passion to make Intel the employer of choice among various demographics, and constantly strive to be a model corporate citizen.
- Many of our stock options are below the strike price. 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 and it is unfair.
- To expense stock options is to 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.
- 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. How can such forfeiture be factored when expensing stock options?

In summary.

- Arguments for stock option expensing are motivated by the uncovering of corporate
 malfeasance after the stock market bubble collapse. Responsible corporations should be
 exempted but the offending corporations should be subject to the strictest observance of stock
 option pricing.
- 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

Yours truly.

Suresh S Kalkunte