Letter of Comment No: 113
File Reference: 1102-100

Len Tatore

From: Ashby, Steven L [steven.l.ashby@intel.com]
Sent: Thursday, April 22, 2004 6:18 PM
To: Director - FASB
Subject: File Reference No. 1102-100

FASB Director,

I recently wrote to my state political leadership and am now happy to express to you my concerns regarding changes to the law that will affect employee stock option plans.

Below are three key problems with 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. 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 change in the law and accounting practices will significantly hurt my overall compensation as stock options are an important part of the package.

Thank you for your time,

Steve Ashby

Intel Americas, Inc.

7858 SW 173rd Place

Beaverton, OR 97007

(503) 649-5337