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Letter of Comment No: 1805
File Reference: 1102-100

From: Halbleib, Matt [matt.halbleib@intel.com]

Sent: Friday, April 23, 2004 4:37 PM

To: Director - FASB

Subject: File Reference No. 1102-100

To whom it may concern:

I am writing this email to express my concerns over the current desire by some to force the expensing of stock options by corporations. I would like to express the following points of view for your consideration:

I understand there have been some abuses by certain corporations in the past that have had a serious impact on many people. However, there are many more good companies who operate ethically, who provide options to all their employees, and if forced to expense stock options would have to cease the practice. This would have a serious impact on many people such as myself because we would not receive these options if my company were forced to expense them.

Having stock options that are valuable only if the price of my companies stock rises allows me to feel personally involved in the success of the company and provides a motivating factor to perform my job well. If all employees perform their jobs well then hopefully the stock price will rise over time and all will benefit. Forcing the options to vest some years in the future causes employees to make decisions that will affect the long term health of a company and not just the short term.

There are other problems with requiring a company to expense stock options. It is difficult, if not impossible, to accurately determine the real cost of stock options. They are not freely exchanged or traded and they cannot be sold. There is no guarantee they will even have value once they have vested. In a free market society the value of goods and services are determined by what someone is willing to pay for those goods and services. If one cannot buy and sell stock options then how can one put a price on them?

By the same token, I am selling my services to my company, and they agree to pay me a certain amount of money plus some stock options in return. These options may or may not have value in the future. I am willing to accept this arrangement because it motivates myself and other employees to seek the long term good of the company. If I don't like that approach I am free to seek a job with another company that has a different salary plan.

Finally, options will only be exercised if the stock price rises above the strike price. Requiring a company to expense stock options by assigning them some arbitrary value would only lead to problems. In every case a company will guess the price of their stock as something higher than what it is at that moment because people aren't going to grant an employee stock options and then say the stock price will drop by the time the options vest. We all work hard to increase the value of the company. Not to make it go down. But, reality is that stock prices are volatile, do sometimes go down, and are very difficult to predict. Forcing one to expense the options by guessing at a future price would only create problems. I personally have a number of options where the strike price is below the current stock price. That's just the way things happen and I'm willing to accept that.

Sincerely,

Matthew Halbleib

Since the options are granted on one date but don't actually vest until some years later it is entirely likely a fair number of employees will leave a company before the vesting date and forfeit their options.

4/26/2004