

ikon**Letter of Comment No: 1821****File Reference: 1102-100****From:** McCulloch, Pamela [pamela.mcculloch@intel.com]**Sent:** Monday, April 26, 2004 1:40 PM**To:** Director - FASB**Subject:** File Reference No. 1102-100

To Whom It May Concern:

I'm writing to express my concern regarding FASB's consideration of a proposal that would require companies to expense stock options at the time they are issued. At the point stock options are granted, there has been no exchange of funds or value. Stock option recipients have only been granted the promise that at some later time, we may buy some quantity of shares at the stated price at some future date. We, as the recipients of the options are not allowed to exercise them for some stated period of time. If we leave the company before that vesting date, the options are lost, so again there is no financial transaction for the company. Only when the options are exercised and only if they are exercised at a price higher than the option price does the company incur an expense and it is appropriate for companies to report that expense at the time it is incurred. And that expense is only the difference between the fair market value of the stock at the time it is actually purchased and the option price paid by the employee. THAT is the true expense.

There have been a number of arguments about the motives of companies who issue stock in lieu of compensation. There is always the possibility that the options will decline in value or the employee will leave before they are eligible to be exercised. But for many employees, these are a means of investing on our futures. Yes, there is risk; but to us it is no more risky than investing our money in outside stocks investments about which we know little. In addition, this is a means to invest with no cash outlay. The stock is there to purchase whenever we choose (or can afford). If it goes up, we have gained. If it goes down, we've lost nothing because we've never actually 'bought' anything.

Should FASB decide to force companies to expense these options, many companies will discontinue their programs for "regular" employees. Executives will continue to get their packages and continue to profit. Those of us in the lower echelons will not. And I doubt seriously that anyone would argue that if companies discontinue issuing stock options they will instead increase the rate of salary compensation to their employees. So we will be the ones to lose.

I realize that there are other types of stock options that are granted to executives that do not follow these same rules. For those, I would agree that expensing them at the time they are granted has merit.

I would encourage FASB to reject the proposal for expensing all but executive stock options.

Thank you.

Sincerely,

Pamela S. McCulloch
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4/27/2004