Intel Urged to Expense Options

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Intel Corp., one of the most vocal defenders of employee stock options, became the latest company to lose a shareholder vote recommending the expensing of stock options.

A shareholder proposal, recommending that options be treated as an expense on Intel's financial statements, passed with 54% of the 5.7 billion votes cast at the company's annual meeting. The proposal is nonbinding, and Intel said it would take no immediate action in response to the advisory vote.

The Santa Clara, Calif., chip giant said it would wait to take up the issue until a policy for U.S. companies is set by regulatory and legislative bodies, including the Securities and Exchange Commission, Congress and the Financial Accounting Standards Board.

"We will follow the accounting rule of the land," said Andy Bryant, the company's chief financial officer. But, he added, "we're disappointed" with the shareholder proposal.

The vote reverses a decision from last year's annual meeting, when a similar proposal drew about 48% of the vote and failed to pass. It adds Intel to a lengthening list of U.S. companies, including Silicon Valley leaders such as Hewlett-Packard Co. and Apple Computer Inc., which have lost shareholder votes on the expensing issue.

Proposals to deduct options as an ordinary business expense, which arose after compensation-abuse scandals over the past few years, have steadily gained momentum.

At Intel, these options are broadly issued and their expenses would be considerable. Last year, Intel gave options to 91% of its about 80,000 employees. The company has defended the breadth of its option plan, and said that options can't be accurately valued, and so would distort its financial statements.

Partly to answer calls for greater shareholder influence, Intel proposed a new compensation plan that for the first time must be approved by investors each year, starting in 2005. That plan was approved by 86% of shareholders.

—Don Clark contributed to this article.