

ikon

From: Steven Shannon [skatersaurus@excite.com]
Sent: Monday, June 21, 2004 3:50 PM
To: Director - FASB
Subject: Stock Options

Letter of Comment No: 5146
File Reference: 1102-100

Dear FASB director,

I am writing you in regard to your pending recommendation on the expensing of stock options and accounting practices for employee stock purchase plans (ESPP). My company, Applied Materials, has encouraged a letter writing campaign to bring to your attention the importance of these programs in the lives of Applied Employees. I will not argue that I have benefited from my company awarding options and providing discounted company stock to it's employees, however, despite this, I cannot condone the blanket compensation write-off that corporations currently enjoy.

Regarding stock options, I believe that when options vest, unexercised options should be held by the company (I believe that they currently are), and that any recognized loss by the company due to the difference between the FMV of the stock and the option price should be realized as an expense.

Regarding employee stock purchase, the discount realized by the employee should be realized as an expense.

If expensing of these programs is not possible, then at the very least both of these programs need to be tracked and documented in a company's financial reports, including the distribution of options across the company (grants to executives vs. non-executives).

My reasoning for the need to expense or at least track these options is because they provide publicly held companies with a compensation loophole that other sectors do not have, and this in turn makes it more difficult for families whose income is derived from other sources (teachers, public service, non-profit) by artificially inflating the cost of living in economically viable areas. Additionally, anything left un-policed by either regulation or under the critical eye of shareholders, is inherently prone to abuse.

In the end, the compensation that companies provide their employees through these stock programs is just that, compensation, and it should be treated as all other forms of compensation, from profit sharing to paycheck to healthcare. There is no underlying difference between any of these forms of compensation that should allow one to have benefit over the other.

Steven Shannon

Applied Materials Employee

Join Excite! - <http://www.excite.com>

The most personalized portal on the Web!

6/23/2004