

From: Scott_Warren@amat.com
Sent: Friday, June 18, 2004 11:04 AM
To: Director - FASB
Subject: File Reference 1102-100: Accounting for Stock Opti

Letter of Comment No: 4682
File Reference: 1102-100

I am writing to express my opposition to changing the accounting treatment for stock options and Employee Stock Purchase Plans (ESPPs).

Stock options are the most significant contribution to the success of Applied Materials as well as other tech companies. Let me give you a personal glimpse first then some general questions and concerns for you.

On the personal side these options often work as an emergency fund for myself/family. I have used proceeds for home purchase and improvement. I have help a brother in financial need due to his wife's illness. I have installed central A/C in my home and purchased lawn equipment. With all the benefits to my personal life the options and amounts are very important to me as well as my contributions to the overall economy. As an AMAT employee there are a two general types of options granted. There are general special across the board all the same type/amount of options and then there are performance based options.

The performance based options contribute the most to the success of AMAT. There are two ways to receive the most amount of options you need to be 1)a top performer or 2) years of service / level. Let investigated the top performer first. I will and often do go the extra mile for the company considering that the more effort I put forward will allow me to achieve more options. With this extra effort I find my peers will "compete" with each other trying to make themselves stand out in the eyes of their manager for similar reasons. This competition improves the productivity throughout the entire company as people have an incentive to perform. The second more important issue is the years of service. You move up through the levels within the company with the more years you put in with the company. We are constantly trained at the expense of the company to keep up the latest technology and to be more efficient. This is a huge investment for the company and the more training you get the more valuable of an asset you are to the company and the more productive you become. Currently the industry is ramping up and we are taking on a few new employees. The only problem with this is that this field is so advanced and dynamic that any new employee can take as much as 6 months to a year to be proficient at their job. This includes employees that leave from our competitors to join AMAT. With the cycles the semiconductor industry goes through 6 months could bring on the downturn and the new employee becomes proficient just as business slows. With all this in mind you can see why employee retention is extremely important to AMAT. The option amount will increase the longer you stay with the company and move up in rank. The options are a milestone in time where if I and my co-workers work hard we can enjoy the benefits the company does when the business grows strongly and productively leading to the maximized earnings for the company. The better I perform the better AMAT performs. The better AMAT perform the better our customer perform and so on up the chain.

So now I have a few questions for you that I don't fully understand. These options are obviously a moving target. I know that for a fact as I track their value weekly using my financial software when I update the stock quotes. How are companies supposed to guess that value of these options. If I would have had to guess I would have expected AMAT stock to be over 30 dollars a share now due to the business ramp but at 18 dollars a share I can only guess that the new FASB rule uncertainty is holding the entire tech sector down. The next question I have is underwater options. THESE NEED TO BE EXPENSED ??? You have to be kidding me. Most options given out expire in seven years so the majority of options give out during the bubble years are way underwater and these need to be expensed until 2007 and will never have any value. That sounds like accurate accounting to me. The next thing I can't comprehend is why as the company grows and the stock price move up that the expense of the options goes UP???? but as times get harder and the price drops that the expense

goes down. Funny thing is that the option has a fixed strike price so no matter when I exercise the cost is the same. I need to take some accounting courses I guess.

Considering all that is above I find that if these rules move forward that my ability to be granted options will diminish. Without the options I will have no incentive to go the extra mile and will just do what is needed to get through the 40 hours of my week. So I guess our customers will suffer and their ability to be productive and innovate will be diminished. This will filter up the entire chain and the US in general will become less productive. Technology=productivity. I don't know about you but I don't want to go back to the days of my cell phone battery dying in 8 hours due to older style chips instead of 72-84 hours like now but if it weren't for stock options and the extra mile we still might be there now. Looks like ASIA will overtake the US once again as the technology leader as the US tech worker loses the extra motivation to move forward. Standing still will be the result. Maybe we all would be using dialup still instead of broadband if these options weren't granted. I could go on with many examples of what might have been but I would only be guessing. At least with your new rules there would be no guessing because everything will be so cut and dry.....LETS THINK VERY LONG AND HARD ABOUT THIS BECAUSE WHAT'S NOT BROKEN SHOULD NOT BE FIXED AT THE EXPENSE OF INNOVATION>>>>>

Sincerely

Scott Warren
Applied Materials
IBM Account Team