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**From:** Jeremy\_Upstill@amat.com  
**Sent:** Thursday, June 17, 2004 4:59 PM  
**To:** Director - FASB  
**Subject:** File Reference 1102-100: Accounting for Stock Options and ESPPs

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

I have worked for Applied Materials for 20 years and our company stock purchase and stock option plan have had a significant impact on myself and my immediate family. One of the things that we have been able to do as a family is to be able to have my wife stop at home full time to raise our two daughters. We are able to live in the Bay Area of Silicon Valley **only** because of these plans. If these plans were no longer available I have no doubt we would have to move from this extremely cost prohibitive area. I believe there are numerous positives of these programs other than personal ones to me and my family of which I have bulleted below along with some other comments. I am a stock holder of both Applied Materials and other high tech companies which have similar plans and I definitely do not wish for accounting practices regarding these plans to change.

I strongly urge you to reconsider changing the accounting treatment for Stock Options and Employee Stock Purchase Plans.

These employee incentives have effectively tied employee performance to shareholder return in a way that no other incentive can match.

- Stock options have helped Applied Materials attract and retain the highly-skilled workers necessary in our globally competitive industry.
- As we move forward in an increasingly competitive world, the United States should not decrease the utility of these incentives while our technological competitors, particularly in China and Taiwan, are increasing their use of stock and stock options. We believe stock options have contributed to unprecedented levels of innovation.
- It is *impossible* to predict the future value of employee stock options, particularly since they are not tradable or transferable and have varied vesting schedules. Adding a “guesstimate” to our Consolidated Statement of Operations (P&L) will not improve clarity or accuracy for our investors. These numbers properly belong in their current location — in the footnotes.
- FASB is assuming that employee stock options are employee compensation, over which stockholders have no control. That is not true because in almost all cases the NYSE and NASDAQ require that companies receive the approval of their stockholders *before* they issue employee stock options. Stockholders are willing to forgo a piece of their company because they believe that the employees will put in extra effort and go “above and beyond,” which ultimately may increase the value of their investment.
- Per FASB’s proposal, companies will be required to take a hypothetical charge against earnings, instead of recording a *real expense* that has occurred and can be accurately measured.
- The current accounting rules already work because companies must compute how much dilution of the stockholders’ interests is caused by “in the money” employee stock options, and this is factored into all companies’ earnings per share (EPS) calculation. Unless the stock price increases and the option vests, it has no “cost” to stockholders because the option is worthless.

Regards,

Jeremy Upstill

6/18/2004