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**From:** Robert\_Dean@amat.com  
**Sent:** Thursday, June 17, 2004 6:56 PM  
**To:** Director - FASB  
**Subject:** File Reference 1102-100: Accounting for Stock Options and ESPPs

**Letter of Comment No:** 4543  
**File Reference:** 1102-100

Dear Director,

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

***Two birds in a bush may be good to look at but they are not worth anything.***

***There is many a slip between the cup and the lip.***

***Don't count your chickens before they are hatched.***

The proposal to expense stock options and ESPP programs is a beautiful example of counting chickens before they are hatched or setting a value on birds in a bush. It is steeped in politics since it arose from Corporate and accounting scandals in the late 90s. Because it is driven by a political reaction, it is likely to be deeply flawed and to have unintended consequences. The proposal is, in my opinion, flawed, outrageous and wrong.

In your deliberations, I wish that you would consider us rank and file employees with ESPPs and stock options rather than jumping off a cliff by putting in place rules that will make them a thing of the past. There is no way to predict the future value of options when they are exercised or mature. An example: I remember reading in the Wall Street Journal in 2000 about an executive at Ford with options for millions of shares of Ford stock at about \$20 a share. Ford was selling for about \$30 at the time. A value was placed on those shares at vesting, which would have been about now, of around \$35 a share by a respected company that did such speculations. Ford closed today at around \$15.50. Not quite the windfall we all thought was it? But consensus at the time was that Ford would be at \$35 now. Oh well! At the time I thought it was foolish to value those options, I still do and it would appear that my opinion has been vindicated. My own experience is another example. I have Applied Materials stock options which were granted over several years. At the time most were granted their market value to me, if I could have exercised them then, was tens or even hundreds of thousands of dollars. All but a few of them are underwater now---worthless as far as current market value is concerned. Tell me, what price would you have put on them when they were granted and do you think that price would come close to their current value? Yet if your rules were in place, some phony amount would have been subtracted from Applied Materials bottom line at the time they were granted. In other words, with your new options and ESSP rules, the bottom line is at the mercy of speculation. Not much of an incentive to offer them is it? But---in spite of their current worthlessness, they still have value to me because there is still time before they expire. With hard work and good fortune they may still be of great value to me. As such they have given me an incentive to stay with Applied Materials. Just what they are supposed to do, and if I may point out, my incentive to stay is another intangible that you should account for if you insist in placing dollar values on intangibles, speculations and crystal balls. The ESPP stocks are a different story. The value I get from the ESPPs is not speculative and is a good portion of my income. It constitutes much of my non 401k savings. I would be furious with rules that cause my ESPP to disappear or it's terms made less favorable. Believe me. I will be contacting my representatives regularly on the matter if either happens.

Please listen to a lowly engineer. I like the options and the ESPP programs as they are. ESPP is a great way to save, both ESPP and the options give me incentive to stay at my company, they give me incentive to do things that may have some small part in improving the bottom line long term because I can PROFIT from it. Expensing options before they mature or are vested is speculative. It's counting unhatched chickens. Don't change the rules. If you do you will regret it, you will never hear the end of it, the new rules may be repealed because of the outcry and you will have earned my contempt.

Sincerely,

Robert L. Dean  
Engineer  
Applied Materials

6/18/2004