ikon

Letter of Comment No: 4916 File Reference: 1102-100

From:

Bob_Haggerty@amat.com

Sent:

Friday, June 18, 2004 6:45 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).

There is no doubt in my mind that expensing stock options (equity) will end the rapid advances in technology in the US. I've worked at Standard Oil,

Intel, Atari, Televideo, Sun Microsystems and Applied Material. Some of these companies you've heard of and some are long gone. The reason I left Standard Oil for Intel (a small company pre- PC days) was for the chance to share in the stock price appreciation. The reason I and many others like me went from company to company, was to share in the stock appreciation along with the rest of the shareholders. Stock options were the only way for a young night school graduate to participate in the creation of wealth through innovation. Although, I made money on some of the options with Intel, Sun and Applied Materials (even with these successful companies there is a window of time in which you can exercise), I didn't make any money on Atari and Televideo.

I have an accounting under grad. To me the current rules on stock options are correct:

- 1) Stock is equity. When a company sells the stock it doesn't have a P&L effect.
- 2) If stock options were expensed, how could the gain or loss possibly be estimated?

Atari was initially hugely successful but in the year I was there it peaked and sunk fast. (no gain for me)

Televideo was on the front cover of Business Week along with Apple Computer as examples of extreme growth companies but the stock sunk before I could exercise. (no gain for me)

- 3) The true effect of stock options is dilution. The dilution is reflected in the denominator of the EPS calculation. Again, the options are an equity transaction that should net in the value of the stock and be reflected in the shareholders gain or loss.
- 4) The shareholders approve the diluting of their proportion of ownership or giving away a portion of their ownership. The gain or loss is theirs, not the companies. But, they approve the option grants (or not) because they believe like I do, that if employees share in the ownership of the company the employees and shareholders win.

The appreciation of the stock that the companies issued me not only benefitted the shareholders but provided for a down payment on my house and four children's college educations also an equal amount went to Federal, State and property taxes.

In summary, I believe that expensing stock options will have a devastating effect on the economy, stifling innovation and it will inhibit wealth creation in the middle class to nobodies benefit (less taxes paid and less appreciation for the shareholders).

Sincerely,

Bob Haggerty