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From: Joseph_Kava@amat.com

Sent: Friday, June 18, 2004 5:29 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). As a native Californian, born and raised in the Silicon Valley, I had a strong desire to return to this area to pursue my career and raise my family. The ability to exercise the stock options I have been granted and participate in the ESPP program at Applied Materials, has enabled me to provide a nice home for my family, and send my children to excellent schools in the same town I was raised.

Letter of Comment No: 4910 File Reference: 1102-100

I firmly believe there is no need to change the account rules governing these stock programs for the following reasons:

- 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.
- 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.
- Under the current FASB 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.

I sincerely hope the FASB reconsiders the current proposal and abandons the efforts which would effectively destroy these valuable employee incentive programs.

Sincerely,

Joseph D. Kava