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From: Cathy_Wilson@amat.com
Sent: Friday, June 18, 2004 5:08 PM
To: Director - FASB
Subject: File Reference 1102-100: Accounting for Stock Options and ESPPs

Letter of Comment No: 4908
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I am writing to express my opposition to changing the accounting treatment for stock options and Employee Stock Purchase Plans (ESPPs).

Both myself and local, state and federal government have benefited from my stock options in the following ways:

For the past 20 years I have been a single parent of 2 children who are now college graduates. I also have a widowed 87 year old mother whom I support:

- My stock options have allowed me to pay for my children's college education without having to apply for or receive any financial aid.
- I have contributed money to our local schools to help them continue programs that were in danger of being cut through withdrawal of government funds.
- I have totally supported my mother (who has a total income of \$800/month social security and no assets), providing her housing, utilities, etc. with no additional drain on any government program.

In addition, each time I sell an option - 36% of the profit goes to the federal government and 9.3% to the state.

The current proposal for changing the accounting treatment for stock options will result in a loss of tax revenue to the government, plus put additional burden on federal and state programs to assist those people who are now being taken care of by folks such as myself.

In addition to these personal reasons for supporting the current stock option treatment methods, other considerations are:

Employee stock options have helped my company attract and retain highly skilled workers necessary to ensure our competitiveness and survival. I work for a company that provides jobs for thousands of US workers. In addition, the options tie employee performance to shareholder return and help promote the growth of the company and shareholder benefit.

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

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worthless.

Please consider all these reasons and vote NO on changes.

Thank you,

Catherine Wilson