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From: Sherry_Blum@amat.com
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To: Director - FASB
Subject: File Reference 1102-100: Accounting for Stock Options and ESPPs

Letter of Comment No: 4723
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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). There are several concerns I have with the proposed FASB accounting changes.

I'm confused. Isn't accounting supposed to be an 'account' of what has happened. Taking a hypothetical charge against earnings, instead of recording a real expense that has occurred and can be accurately measured, seems counter intuitive to everything that accounting stands for, i.e. real measurable results vs. future potential guesstimations. It is impossible to accurately predict the future value of employee stock options since they are not tradable or transferable and have varied vesting schedules. What happens when a hypothetical expense is reduced to a fall in a stock price after an 'expense' has been recorded, can/should an off-setting equal amount be added back in to a company's results. If not, isn't that a punitive measure that makes actual future quarter results incomparable. Also, the current accounting requirements already cover any potential dilution of stockholder interest by requiring company's to report the impact of 'in the money' stock options to shareholders that are interested enough to read the SEC filings.

As an employee that has received stock options I know that these incentives are performance based, and it is not just an executive 'perk'. Stock options help companies attract and retain highly skilled workers, at all levels, and by providing stock options employee's interests are tied to those of other stockholders. In many high technology companies, such as Applied Materials where I work, stock options motivate employees to contribute to the success of a company. We are in an increasingly competitive world and I believe that stock options have contributed to the innovation levels within U.S. based companies that have allowed the United States to excel, in many areas, over the rest of the world. Inserting 'guesstimations' into reporting documents such as the P&L statements will not improve their clarity or accuracy for stockholders but will most likely have a dampening effect on the creativity and innovation that has driven the success of many companies. It feels a little bit like frying the goose that lays the golden eggs. Nice one time meal, but then what.

Stockholders hold the key to the purse in that they must authorize the issuance of stock options prior to them being granted. Historically, stockholders have been in favor of this granting this capability because they believe that the employees will put in extra effort and go above and beyond what may be required in the course of a 'normal' job description and stockholders believe that this ultimately may increase the value of their investment. It does have that effect. Looking at the proposed FASB changes it appears that Congress may not clearly understand the positive impact of granting stock options, nor the potential negative impacts of expensing them. The proposal feels like a reaction to the abuses of a few.

Also, I wonder if Congress has factored in the potential reduction in revenue in the form of taxes paid that it will not be receiving if this proposal is accepted, as it will most likely have a dampening effect on how many options are granted. Last time I looked I paid 42 percent plus in taxes on any money that was made as a result of cashing in an option. That's right: 42 percent. That's a lot more into government coffers than most other taxable income. A real revenue generating basis for the government and its self perpetuating pensions-- and if memory serves me well, the loss of this revenue stream can have a large impact on government programs: just look deeply into California's deficit and it may be noticed that one of the revenue streams that evaporated after the stock market 'bubble' burst in 2000 was the tax money from stock options. HUGE IMPACT. One that government did not plan for and has been very slow to react to.

I believe that the current accounting rules work for those who take the time to investigate the information that is provided via SEC filing. Investors should take responsibility for their own decisions by doing the work to understand what is behind the numbers that are reported and if they don't like how a company is being run they can raise their concerns by putting it up for a vote in the annual proxy or by voting with their dollars and not investing. No need to invent hypothetical charges against earnings. The impact of stock option is provided and with the advent of the Internet readily available to most US stockholders.

I believe that stock options and employee stock programs (which I haven't addressed) should be left as they currently stand.

Regards,

Sherry Blum

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