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From: Sent: David_Kalmus@amat.com Tuesday, June 22, 2004 5:52 PM

To:

Director - FASB

Subject:

File Reference 1102-100: Accounting for Stock Options

Letter of Comment No: 4735 File Reference: 1102-100

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

FASB has the right to regulate reporting, but not the right to dictate corporate compensation policy. If you think that enacting the proposal will not have a significant impact on the employees of corporate America, you are mistaken. FASB makes sure actuals are reported accurately; now with the expensing of stock options, FASB opens up forecasting aspect of what the options are worth in the future. This model is not accurate or a fair representation of the actuals. Currently, results are reported on an operating, GAAP, dilutive basis. What more is required? I see this as an over reaction. So let us punish all corporations and employees versus dealing with the specific problems. Do you think today every investor knows

the difference between operating , GAAP or dilutive results? It is not the corporate officers that are going to be significantly impacted, but the regular employees that are going to have the largest percentage of their compensation impacted.

FASB is overstepping its bounds by proposing this reporting/forecasting change. I can not believe that John Snow of the Department of the Treasury is not all over FASB for this proposal. There are three silent partners that gain significantly from exercising of employee stock options: US Treasury, States Treasury and Social Security. I wonder if anyone did a financial analysis how much tax receipts will be impacted by this measure. If the tax receipts are lost, they will have to be replaced by either increased taxes or lower government spending. Has anyone figured the economic impact to the economy? So instead of creating wealth, aligning incentive of employees with shareholders, letting companies retain highly-skilled employees, FASB thinks that it is better to put a damper on the United States economy by trying to "report" expensing of stock options with a very flawed model.

If you did not know most high technology companies do not have pension plans. 401Ks and Social Security will not be enough to support employees in retirement. Stock options are an integral part of the compensation package which will dry up with the enactment of this proposal. Let us use me as an example for employee that benefits from stock options. Last year, I used stock options to help send my daughter to college, save for retirement, do some household improvements and pay 35% tax to IRS, 9% to State of California and 1.45% to Medical Social Security. So my silent partners the government got 45% of the gain without any risk and I invested some and used some that will also support the economy. My tax bill would have been at least 50% lower without stock options and the governments would have a larger deficit. Now, multiply my situation by everyone who exercised options and maybe you will understand the impact on economy, government and the employees.

If this proposal is enacted, FASB will not achieve its goal, but have a detrimental impact on the economy, businesses and the employees.

David Kalmus