

ikon**Letter of Comment No: 4649**
File Reference: 1102-100

From: Tom_Zavada@amat.com
Sent: Thursday, June 17, 2004 4:11 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).

The value of stock options and ESPP programs has brought tremendous benefit to my Company as well as the quality of life for many - including my family.

Without the extra financial support provided by these incentives, my family would never have been able to afford our first home as first-time buyers with little cash available for downpayment.

Several years ago, my wife and I discovered she was infertal when we were trying to conceive our first child. The "medical miracle" that fertility specialists offer costs over \$30,000. Without the extra money provided through our ESPP and Stock Options, we would never have had our son - now 2 years old.

I believe that Stock Options and the ESPP have been the biggest contributors in attracting and retaining the best employees in my industry. Having the best people has enabled us to become the leader in our industry. We consider going "above-and-beyond" to reach our goals as an investment - and the payback is anticipated to be reflected in our stock price. Without these plans, I fear efforts would falter - creating a loss in market competition which will ultimately be reflected in the future of product development and new technologies.

Furthermore, as a private stockholder, I cannot understand how the FASB thinks it is possible 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 the Profit & Loss statement will not improve clarity or accuracy for investors. These numbers properly belong in their current location — the footnotes. 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' EPS calculation. Unless the stock price increases and the option vests, it has no "cost" to stockholders because the option is worthless.

As an investor, and employee, I am outraged that the FASB is trying to implement this change. Not only will it negatively impact the financial performance of the Company, but it will certainly have a negative impact on my personal life as well. I cannot fuel a recovering economy if I do not have the money to do it.

I implore you - please DO NOT force companies to expense Stock Option and Employee Stock Purchase Plans on their P&L statement.

Sincerely,

Tom Zavada
Applied Materials, Inc.
Austin, TX

6/18/2004