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**From:** Rick\_Luyet@amat.com  
**Sent:** Thursday, June 17, 2004 3:49 PM  
**To:** Director - FASB  
**Subject:** File Reference 1102-100: Accounting for Stock Options and ESPPs

**Letter of Comment No:** 4610  
**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).

Please consider the following:

1. Subject employee incentives have effectively tied employee performance to shareholder return in a way that no other incentive can match. As an individual contributor, I do appreciate the fact that my employers success directly affects my personal wealth building capabilities, far beyond salary compensation. Having worked in both an option and non-option company environment there are huge differences in employee satisfaction and well-being.
2. Stock options have helped U.S. Companies attract and retain the highly-skilled workers necessary in the globally competitive technology industry.
3. 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. I believe stock options have contributed to unprecedented levels of innovation.
4. 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 a 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.
5. **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.
6. 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.
7. 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.
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Best Regards,  
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