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Letter of Comment No: 4474
File Reference: 1102-100

From: Steven_James@amat.com

Sent: Thursday, June 17, 2004 4:40 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 impact to my family would be detrimental as we currently rely heavily on our ESPP program to maintain an average living here in the Silicon Valley. Our reoccurring property taxes are usually budgeted around our ESPP program and our stock option program enable us to purchase our first home here in the Bay Area. While a modest home it is still a large step in the development of our family and now houses a new baby girl. We are hoping to continue to enjoy the current stock programs and ESP program offered by Applied Materials to meet the ever increasing challenge of raisin a family in the Bay area./

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. 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.