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Letter of Comment No: 4461
File Reference: 1102-100

From: Warren_Woods@amat.com
Sent: Thursday, June 17, 2004 4:27 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).

I have numerous examples of where I've used stock options but the most pertinent to me was the use of paying off debt that had accumulated since college. During the peak of the stock market I was able to come out of debt and re-invest in diversified holdings that have secured by family's future. We aren't rich but know there is a backup plan if the bottom falls out on the income side. The debt that was paid off was substantial and would have taken years to pay off if it weren't for my stock options that vested. At the same time I was able to pay cash for a car and had never been able to do this in the past. Since then I haven't had a car payment and when I was layed off for two years this was the only reason I was able to weather the storm. I was not able to plan for this as many options had been "under water" for years and never expected to produce. They were there as an incentive for me to do my best and encourage others to do their best at my company to improve the potential for those options to mature and pay off. The accounting practices that are proposed will require that even those "under water" options be accounted for which does nothing to improve reporting of financials and does everything to ensure the reduction of the use of options. The ESPP has also been very useful. Even though it is far more measurable and less speculative than options the accounting practices proposed will require the company to reconsider the degree of use if not the use at all. These two components of my incentives have been more than my salary in good times and completely useless in recent years. However, they are still an incentive even though they are "under water". I know if I continue to push myself and others those options and share price have the ability to go back to a point of being of value. Other countries have begun to use these incentives, it is possible that if the proposed practices are put in place in the US that much of the innovation that takes place could move to other countries. If this occurs the impact to GDP could be considerable. This is not to say that Americans only innovate when financial incentives are placed in front of them. It is to say that these long term incentives that have a chance of changing personal financial situations encourage employees to work harder for longer periods than any other incentive I know of. This long term commitment is one of the keys to the succes of large corporations that consistently share the POTENTIAL success or failure of the company with employees. Without being an owner/partner in a company, you can not directly benefit from the overall success of a company unless these types of incentives are allowed to continue without additional restrictions. It is clear that the amount of participation of companies would drop if this takes place. The impact will be across all economic classes but the first to be cut from companies plans would likely be the masses and executives would still get their cuts of the pie. I currently hold a substantial number of options but all are useless unless I help make this company more profitable and help drive stock price up to a point they are worth something. That may be a year or it may be 5 years. I'm willing to put in the work to make that possible. I'm counting on my colleagues to do the same for their sake and mine.

As a stockholder, I have a voice in the plans that are/are not approved for options. My company at least also reports on this in the Notes of our financial statements. It is not clear with the changes being pursued why it is even needed. Force reporting in Notes, force all companies to get BOD and/or stockholder approval but don't put up roadblocks that will reduce their use in a big way. There are alot of us little guys that will lose any chance of being financially independent as we doubt that there will be any SS money left when we retire. The stock market has killed most 401k's chance of meeting that need. Options and ESPP are a couple of the last hold outs for a chance for a middle income man to make a difference for his family. I may be able to retire before I die if I keep working hard to ensure my options mature and aren't under water. This isn't a sure thing by any means but it is a chance and a hope that has better chance of supporting my family at retirement than social security or my 401k.

I hope current plans are reconsidered. Please try to understand that millions will be hurt and those millions will very likely not try as hard as they will feel let down by their companies who will be forced to cut back on option grants due to immediate financial impact that may or may not have any impact on financials. Dilution rates are stated and should be the only concern other than a voice in decisions to grant by stockholders anywhere. They aren't negatively affected by options today other than minor dilution and I would challenge that they significantly benefit due to the extra efforts by those of us that get to participate in those grants. These changes may even decrease values even further if other countries are able to share a piece of the company and encourage extra effort above and beyond and American corporations are not.

Please don't take away our hope for a better future.

6/18/2004