ikon

From:

Amy Hernandez@amat.com

Sent: Friday,

Friday, June 18, 2004 6:51 PM

To:

Director - FASB

Subject: File Reference 1102-100: Accounting for Stock Options and ESPPs

Letter of Comment No: 4920 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).

The San Francisco Bay Area is known as the most expensive place to live in the nation. As such, the base pay (which is often below average for larger companies like mine) must be complemented with the ESPP and stock options to help us afford to stay in the area. The stock options were a major factor in my deciding to work here. This is a common way a company competes for top-notch employees, especially in the technology industry, which makes up most of the Silicon Valley where we live. However, it is not compensation, only something we plan to exercise when needed or when allowed. This is also a means of employee retention, which is very much needed in the industry in which we work.

The ESPP in particular involves stocks that we paid for with our own salary. Stock options are definitely not money that is readily available. Therefore, these must remain separate from normal P/L and remain in the EPS (Earnings per Share) calculation to distinguish between actual expenses and a forecasted profit or loss.

The value of the stock option and stock plans have been a constant surprise — usually lower than we'd hoped for or expected in recent years. You cannot predict that value — it's not an actual number. Therefore, we would be reporting only a guess to the investors, who might mistake it for actual data. I myself am an investor and the current accounting method is fair and conclusive where companies calculate and report the dilution of stockholder interest.

I truly do not believe this is the right move for handling stocks, particularly in this area where the cost of living is insanely high and this will have a severe adverse impact on employee talent and output.

Best Regards, Amy Hernandez