ikon

David Pung@amat.com

From: Sent:

Tuesday, June 22, 2004 1:37 PM

To:

Director - FASB

\_ . . . \_ . \_ .

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

To Whom It May Concern:

I am writing to express my opposition to changing the accounting treatment for stock options and Employee Stock Purchase Plans (ESPPs)

Letter of Comment No: 47/9 File Reference: 1102-100

I have worked for Applied Materials, Inc. for over ten years. During that period I have participated in the stock purchase program and have received stock option grants as part of my total compensation package. I support these plans as both an employee and a shareholder of the company and I'm deeply concerned over the recent FASB decision to force companies like Applied Materials to show these as expenses in the company's income statement. Beyond my philosophical issues with FASB's decision, I also have some very strong personal reasons for my support of the system that has worked well for generations. Any benefit that I have received from participation in these programs has been tied to the success of the company, so they are tools that appropriately tie the objectives of shareholders to those of the employee. I have used both stock options and ESPP shares to augment my income several times in recent years, to purchase my current home, to make home improvements, and to pay for extraordinary expenses associated with the triplet daughters that my wife and I were blessed with three and one-half years ago, including buying a larger vehicle for my family of seven. I use these programs for my personal savings, for my rainy-day fund, for my big purchase savings, and for college savings. I am quite sure that given another system of compensation that I would not have been as successful overcoming what life has dealt or planning for my future.

There have been several times that I have considered leaving Applied Materials during the past ten years. The stock options that I have been granted have been a big reason for my longevity at the company. They have accomplished the intended purpose of retaining a valuable employee. There are other reasons, that I have continued with my career at Applied Materials but during those times of temptation, when the grass looks greener elsewhere, they have played significantly in my decision process.

The United States has been reeling from accounting scandals over the past few years. Important measures have been put in place to protect the individual investor, me, from unscrupulous corporate leadership. Expensing stock options does nothing to protect investors from this type of activity. In a fair, open and free marketplace, scandal is dealt with by reasonable measures. Overreaching measures, like those proposed by FASB, do not add to the security of the investor. They only cloud the perception of the profitability of the company. Expensing stock options forces the company to project the fair market value of its stock and to expense options on this prediction. I'm an engineer, and although I dislike impossibilities, I know that it is impossible to predict such things. The open reporting of options is currently contained in the company's financial statements, disclosed properly in an area with other uncertainties and contingencies, in the foot notes.

Make no misunderstanding; the current system needs checks and balances. I think that they already exist. I am a voting member of community of investors that own the company. I take this responsibility very seriously, and vote my shares at the annual shareholder's meeting. This system works. Case in point, Michael Eisner's no confidence vote at Disney's shareholder's meeting and the vote for the merger between HP and Compac. These are examples of the proper influence of shareholders in the governance of companies.

Lastly, I am deeply concerned about how FASB's decision will affect Applied Material's competitiveness in the world marketplace. Applied Materials competes with companies headquartered around the globe. The ability of the company to hire and retain an exceptional workforce will challenge its competitiveness in the world when other countries have more correct, historically successful accounting standards applied to stock incentives. I believe that FASB's decision on stock incentives; will ultimately make every United States company less competitive by limiting the workforce of highly skill employees, and disconnecting the success of the company to that of the investor.