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From: John_Medrano@amat.com
Sent: Thursday, June 17, 2004 3:50 PM
To: Director - FASB
Subject: File Reference 1102-100: Accounting for Stock Options and ESPPs

Letter of Comment No: 46 59
File Reference: 1102-100

Hello FASB Director,

I am writing to express my opposition to changing the accounting treatment for stock options and Employee Stock Purchase Plans (ESPPs). This has been a great benefit to me and my family over the past few years and would not only be detrimental to the people receiving these benefits, it will hurt our businesses as well. Before some of these incentives were given out, our industries had an issue with people jumping from job to job for salary increases. This caused a logistics nightmare and made advancement of our technology's suffer. I understand that people feel rules must change because of cooperate corruption, but this is not the answer. Holding people accountable for their action is all that needs to be done. Broad punishment of the working class across America will not stop top level corruption, it will only hurt the people that can not commit these crimes in the first place. It also reduces incentive to stay with a company for extended periods of time getting us back to where we were years ago. These kind of laws are not protecting investors. The investors are aware of option grant and ESPP programs in advance. I do not see how this is deemed a cause of alarm to people that are already informed. Here are several other reasons why I oppose these new rules.

- These employee incentives have effectively tied employee performance to shareholder return in a way that no other incentive can match.
- Stock options have helped corporations attract and retain the highly-skilled workers necessary in our globally competitive industry.
- 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. We believe stock options have contributed to unprecedented levels of innovation.
- 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.
- 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.
- 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.
- 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.

6/18/2004

Thanks for listening to my feeling on this issue. I look forward to seeing you keep the rules as they are.

Regards,

John