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From: Scott_Cornelius@amat.com
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To: Director - FASB
Subject: File Reference 1102-100: Accounting for Stock Options and ESPPs

Letter of Comment No: 4633 -
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).

I am concerned that expensing options will eventually drive companies away from pay for performance in the USA and result in a less competitive business environment for US-based companies. Other nations such as China and Taiwan continue to reward employees with generous options and stock programs- the removal or diminishing of such programs would drive much of our engineering talent and ability to recruit new talent off-shore.

Stock options and ESPP are allocated to employees, are not transferable and vest over different schedules. It is impossible to ascertain financial performance at the end of the vesting period and will not clarify nor improve the accuracy of the P&L for investors. These issues are, and should remain as footnotes in the annual statement. These statements are generally discussed in the Management Discussion and Analysis section of an annual report and clarify the actions of the company.

Stock options are diluted and accounted for in a corporation's EPS calculations. Stock Options have no effect on a corporation unless the stock price increases or unless shares vest- this is generally accounted for in the EPS calculations and the P&L. Further, new accounting rules expect corporations to ascertain hypothetical charges against earnings for stock grants instead of determining actual expenses as done today. This hypothetical calculation could lead to further complications for under and/or over-reporting and the need for restatements in the future.

The economic viability of the Silicon Valley is based upon developing cutting edge new technologies with highly qualified employees. Incentive management (Stock options and ESPP) motivate these non-executive employees throughout the US (especially within the Bay Area) to develop cutting edge technology and material science advances. Stock Options are necessary to retain and attract highly skilled employees- these options vest over a period of time and allow companies to maintain a motivated and stable (non-executive) work force that is financially rewarded for a company's success.

In California, Stock Options and ESPP are critical for anyone to afford to live and or remain in the Bay Area. The cost of housing, the cost of living and the general expenses are so high that in order to be able to afford to purchase land/property/investments stock options or ESPP shares are critical to the down payment of a house or a car.

In conclusion, I strongly recommend that the FASB committee reconsider its intent to expense stock options and ESPP plans. The current stock programs are effective, these programs reward employees and most importantly these programs allow US companies to remain competitive in retaining and hiring qualified people in technical fields. To change from the current FASB rules to the expensing of options will not improve the accuracy of a P&L for any company, rather it may lead to additional uncertainty and possible restatements of the P&L/earnings due to valuations based upon hypothetical charges.

Stock Option programs and ESPP should not be expensed- failure to prohibit the expensing of options will result in dissatisfaction at the corporate, employee, and investor level and will devastate US businesses until the rules are changed.

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