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Letter of Comment No: 4456
File Reference: 1102-100

From: Bill_Powell@amat.com
Sent: Thursday, June 17, 2004 4:32 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 worked in "silicon valley" all of my working life and to my mind stock options have become a part of the American dream - where employees have a chance to share in the value that their hard, creative work has helped to create. They definitely help to align the interests of the employee with the goals of the company and help the USA to lead the world in creating and expanding new dynamic industries.

Insofar as accounting is concerned, I am amazed that in an era that is trying to improve "transparency" in financial reporting, the FASB would embrace what I regard as the "fad" of expensing stock options. This fad creates an imaginary "expense" when granted and may create some imaginary "income" when they expire - seems like another way for unscrupulous management to manipulate earnings via creating and terminating options while making it harder for the shareholder to understand what is happening. Most firms currently provide a "pro forma" or "fully diluted" report which gives the shareholder information about the effect of options - this works fine for me - don't change!

Certainly, there have been many cases where irresponsible boards have given what appear to be excessive and poorly planned option grants to poorly performing executives, but the remedy here should be to improve the conduct of the boards, not change the accounting system. On the other hand, properly constructed and equitable options can reward executive management fairly for exceptional planning and execution, so that they can also PRESIDENT@WHITEHOUSE.GOV PRESIDENT@WHITEHOUSE.GOV share in the value that they help to create.

Sincerely Yours,

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