ikon

From: Sent: Hank_Halbach@amat.com Thursday, June 17, 2004 4:40 PM

To:

Director - FASB

Subject:

File Reference 1102-100: Accounting for Stock Options

Letter of Comment No: 4450

File Reference: 1102-100



InterScan_SafeSta mp.txt (296 B...

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

Stock options provided by my employer, Applied Materials, have enabled me to provide a home and financial security for my family. The stock option program has allowed us to invest in our children's future and better plan for our retirement.

They allowed me to purchase our current home

They have allowed me to build an addition and a swimming pool at my primary residence

They have allowed me the opportunity to purchase acreage for our future retirement home

They have allowed me to save for our children's future educational needs

I would not have been able to provide these items for my family had I not been able to participate in the stock option program.

As a manager, the stock option program has also allowed me to hire and maintain a stronger workforce by providing positive incentives for my employees. The stock option program at Applied Materials has allowed our corporation to retain the best and the brightest talent in a very competitive job market.

This program also provides the employees with a sense of ownership in the corporation thus motivating each of them to think of the bottom line before acting. Before acting, the employees now ask "Is this project really good for the shareholders?" Since they are now shareholders the resulting actions are usually better for the bottomline and the shareholders we are accountable to. No other incentive can compare to stock options.

These employee incentives have effectively tied employee performance to shareholder return in a way that no other incentive can equal.

Some other things for FASB to consider are:

- 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.

Please consider all of these points before adopting sweeping measures that would hurt the economy and the pocket books of high-tech workers.

Respectfully, Hank Halbach Corporate Facilities Manager Applied Materials, Inc.