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From: Brian_Tierney@amat.com
Sent: Thursday, June 17, 2004 8:25 PM
To: Director - FASB
Subject: File Reference 1102-100: Accounting for Stock Options

Letter of Comment No: 4534
File Reference: 1102-100



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Dear Sir,

My name is Brian Tierney and I am an HR manager with Applied Materials. I am writing to express my opposition to changing the accounting treatment for stock options and Employee Stock Purchase Plans (ESPPs).

These incentives have effectively tied employee performance to shareholder return in a way that no other incentive can match. As an HR professional I am keenly aware that stock options have helped Applied Materials and other High Tech firms attract and retain the highly-skilled workers necessary in our globally competitive industry.

FASB assumes that employee stock options are employee compensation, over which stockholders have no control. That is untrue. In almost all cases the NYSE and NASDAQ require that companies receive stockholder approval before issuing employee stock options. Stockholders have long approved such offerings because they options motivate employees to put in extra effort and go "above and beyond." This ultimately can aid in increasing the investment's value.

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. 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.

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

To retain its global competitiveness, the United States should not abandon these incentives, especially since our technological competitors, China and Taiwan in particular, are increasing their use of stock and stock options. Stock options have contributed to unprecedented levels of innovation.

I firmly believe that they will continue to do so only if the current account rules are left unchanged.

Very truly yours,

Brian Tierney
HR Manager
Applied Materials, Inc