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Letter of Comment No: 4484

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**From:** Veronica\_Mccarthy@amat.com  
**Sent:** Friday, June 18, 2004 12:33 PM  
**To:** Director - FASB  
**Subject:** Do Not Expense Stock Options!

Dear FASB,

I wanted to voice my opinion to you regarding the issue of expensing stock options. I work at Applied Materials, part of the semiconductor industry, where stock options play a crucial role in our total compensation. The expensing of options on the Corporation's P&L statement would undoubtedly result in fewer stock options being distributed to higher levels of management within Applied Materials and other high tech companies going forward. In addition I think the stock option programs should remain as is. Companies like Applied Materials now require stockholder approval for stock options prior to their distribution. In addition, the dilution effect of in-the-money vested options is already accounted for in Corporation's EPS calculations.

Stock options are critical in my industry to retain top talent; the high tech industry is all about time to market, meaning that most technologists like myself regularly work 60 hours a week to develop and productize advanced technologies. The broad-based stock option offering at Applied Materials allows the employees to directly benefit from our market successes and is a key incentive for us to maintain a competitive edge over our global, lower cost structure competitors in Taiwan and China (note that these countries are increasing the use of options!). In addition, given the highly cyclical nature of the high tech industry, it is impossible to forecast the future value of options, especially given the long-term vesting schedules. Adding a hypothetical options cost to a P&L statement provides no greater visibility to investors on option liabilities as these predictions could be off by more than 100%

I have directly benefitted from stock option participation; the combination of my husband's and my options has paid for >50% of our home, which is significant in the expensive Bay Area real estate market. The impact of stock option programs on my family has been our willingness to commit long-term to our high tech companies; without these options we both would probably change careers, making our advanced engineering degrees earned at UC Berkeley a wasted investment from both our and the country's perspective.

Sincerely,  
Veronica McCarthy

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6/18/2004