

ikon**Letter of Comment No: 4476 —**
File Reference: 1102-100

From: Gary_Rosen@amat.com
Sent: Thursday, June 17, 2004 4:18 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). Having worked in companies both with and without broad based stock option plans I can speak first handed about their effect on a workforce. I came to Applied Materials from another company that did not issue stock options as part of normal business. During my interview day at Applied I was immediately struck by the high level of talent and commitment the employees of the company demonstrated. In fact I even commented on this during my last interview of the day. The employees at my previous company referred to it as a "country club" because people generally worked the minimum number of hours and did not easily make an extra effort. This environment existed despite all of management's attempts at creating a more motivated workforce. In the end the company actually had an IPO....but the executives mismanaged the allotment of the initial stock options, distributing the bulk to the top executives and only a very small percentage to the rank and file employees...further undermining their ability to improve employee behavior.

At Applied the stock option and ESPP plans have created an environment where the employees naturally drive very hard to achieve success. This translates directly into increased shareholder value.....something that Applied has demonstrated with great success. The culture at Applied relative to my former company is dramatically different. Applied has been able to attract the very best talent in science and engineering and provide a work environment where they naturally drive very hard for success...both for the company and personally. The shareholders have benefited greatly from this. If you force direct expensing of stock options and ESPP you will undermine this culture and the shareholders will suffer in the form of smaller returns.

Gary J. Rosen, PhD

6/18/2004