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From: Dan Hernandez@amat.com

Sent: Wednesday, June 23, 2004 1:30 PM

To: Director - FASB

Subject: File Reference 1102-100: Accounting for Stock Options and ESPPs

Letter of Comment No: 4742 File Reference: 1102-100

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

I am extremely concerned with the recommendation from the FASB to expense stock options. The stock options that I have enjoyed in the past (and hopefully the future) were awarded solely as a retention tool and encouraged a dramatic sense of ownership in the company.

These stock options were not granted with short term vesting dates for past work accomplished, incentive for employment, or as a performance bonus. Thus, they are provided as incentive for future performance, company ownership, and as such they drive the global competitiveness of the company. To require that stock options be expensed would invariably result in the reduced breadth and scope of the stock option awards.

This would have the added negative impact of subsidizing foreign competition that fails to follow suit (It is brought to my attention that China and Taiwan do not even tax employee options much less expense them). In short, this would be an unnatural advantage in it's truest form.

In the past, I have exercised stock options with the following results:

- 1. Sold options to generate a down payment for a first home purchase.
- 2. Sold options to help pay for family advanced education (two nieces and one wife).
- 3. Twice sold options to support a family member in dire straits (medical and personal tragedy).
- 4. Provided a portion of sold options to various charities (St. Mary's Food Bank of Phoenix Arizona, Madison Square Presbyterian Church of San Antonio Texas, Big Brothers/Big Sisters of Arizona).
- 5. Sold options to reduce personal debt.
- 6. Sold options to reduce extended family debt.

The stock options that I have sold have touched the lives of many people in a very positive way. I am just one person but there are a very large number of U.S. employees that enjoy the benefits of stock options. These employees are not company executives but everyday citizens helping to drive the U.S. economy through the reward of company ownership from stock options.

Please consider the impact (I believe it to be negative) of requiring stock options to be expensed up front. I believe that greater and faster disclosure of stock options have the effective result that you are expecting (and U.S. citizens insist). Concurrently, I believe that your current stance on expensing stock options will result in a very significant reduction (or complete loss in many cases) of stock option grants to a wide range of employees.

Please reconsider your position on expensing stock options.

Best Regards,

Dan Hernandez