

From: Gil_Acosta@amat.com
Sent: Thursday, June 17, 2004 4:51 PM
To: Director - FASB
Subject: File Reference 1102-100: Accounting for Stock Options



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

Dear Sirs,

It has come to my attention that FASB is considering a change to the accounting method for Stock Options and ESPP. Before you make your decision, please be aware of the significantly negative impact that you will be having on the general population of employees at companies such as mine, Applied Materials. I currently live in a neighborhood with homes in the \$200 K-300 K price range, the school district and amenities are what my family is most grateful for. I managed all this because of the windfall I received from owning and exercising options in 2000. The value that I realized in 2000 could not have been foreseen, it was the culmination of a good economy and a company poised to capitalize on the opportunity. The company, is people like myself who rode out the hard times and busted or butts to meet the market demands. Stock Options and ESPP are incentives to stick with it. If the FASB were to change the current method of accounting, it would force companies like Applied Materials to discontinue or limit the broad-based issuing of Stock Options and ESSP. The executives of the company would barely feel it. It would be the general population of employees such as myself that would be most hurt. In addition to my testimonial, please consider the following points:

- 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. 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.
- Stockholders through their vote of approval, recognize that giving a piece of their company to employees will motivate them to put in extra effort and go "above and beyond," which ultimately may increase the value of their investment.
- 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.

Feel free to contact me for a further review. Respectfully,

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