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Letter of Comment No: 4642
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From: Joe_Basso@amat.com
Sent: Thursday, June 17, 2004 3:14 PM
To: Director - FASB
Subject: KEEP MY STOCK PLANS!!!!!

Hello.

I am an engineer at Applied Materials (NASDAQ symbol: AMAT). I have found out that FASB is trying to force all companies to expense stock option and employee stock purchase plans on their profit and loss statement (commonly referred to as P&L or Consolidated Statement of Operations). If implemented, these changes would create financial uncertainty on AMAT's Consolidated Statement of Operations. This accounting change would make it very expensive for companies such as ours that offer broad-based employee stock plans.

THESE STOCK PLANS FORM THE CORNERSTONE OF COUNTLESS FAMILIES' FINANCES!!!!!!

- These employee incentives have effectively tied employee performance to shareholder return in a way that no other incentive can match.

- Stock options have helped Applied Materials attract and retain the highly-skilled workers necessary in our globally competitive industry.

- 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.

- FASB is assuming that employee stock options are employee compensation, over which stockholders have no control. That is not true because in almost all cases the NYSE and NASDAQ require that companies receive the approval of their stockholders *before* they issue employee stock options. Stockholders are willing to forgo a piece of their company because they believe that the employees will put in extra effort and go "above and beyond," which ultimately may increase the value of their investment.

- 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.

- 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.

Thank you for your consideration.

Joe Basso
Applied Materials employee

6/17/2004