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**Letter of Comment No: 5588 -  
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**From:** Tiffany\_Lo@amat.com  
**Sent:** Tuesday, June 29, 2004 8:16 PM  
**To:** Director - FASB  
**Subject:** Opposing Company Stock Options Expensing

Hello Director of FASB,

I am a CPA and have been working at Applied Materials for almost 9 years. I am just an average person in the Corporate American workforce. I moved to work in the Silicon Valley about 10 years ago. Before I moved here, I worked in Minnesota. At the time, I had not even heard of stock options. As I moved, I realized the cost of living for some items increased quite a bit from what I was used to. For example, the housing cost was 3 or more times higher but our salaries hardly match that. I did not get any stock options until late 1997 - I actually had to ask for it. Although I don't have a lot of options given to me and some are under water, I have had the chance to exercise some options to help to pay for general expenses of running the household. It is one of those truly bonus in our lives - in the good times of the company - better than Christmas presents. I know some people who have exercised their stock options to put their kids through college, buy a mini van when their families grew, or even provide financial help for their aging parents. It is a great benefit at the same time not a guaranteed benefit. Our company had started to give out employee broad based stock options not long ago. It has been a morale booster for the employees.

The amount of stock options we get is tied for the most part to employee future performance or I think more important based on an employee's future potential. There is a lot to be said about that. Normal compensation (regular paycheck, bonus, paid time off, holidays, etc.) methods are based on past performance but stock options is based on the individual's future potential since it is meant to tell the individual that if you stay with our growing company in the next few years, at the end of that period, if you are still here, we would like to reward you with this options. Again it is uncertain and both the employer and employee are betting on each other's future. It is truly an incentive that is almost "magical".

Personally, I have a family with 2 little kids. My husband has started his own business and many times, I could use the extra cash for activities such as visiting parents overseas, pay for mortgage, or even just cover day care. With the rising cost of living, we would have been in worst shape without stock options.

Please reconsider not mandating the expensing of stock options.

Thank you very much for your time.

Tiffany

Below is the list of benefits to any company in general: I agree with them.

- 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

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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.