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From: Cheryl Knepfler@amat.com

Sent:

Friday, June 25, 2004 2:09 PM

Director - FASB To:

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

Dear Sir or Madam,

I am writing to express my opposition to changing the accounting treatment for stock options and Employee Stock Purchase Plans (ESPPs). In discussing the implications with friends here in California, even those of us familiar with the workings of stock options (i.e. granting, vesting, exercise periods, vested option prices being higher than current market prices, etc.) acknowledge that we would have difficulty understanding year to year the impact of stock options on the earnings of companies.

Letter of Comment No: 5357

File Reference: 1102-100

Having personally survived several lay-off cycles in my 8 years at Applied Materials (resulting from downturns in our industry) I recognize that one of the long term corporate benefits resulting from these headcount reductions was the elimination of stock options liabilities owed to these individuals. If the expensing of stock options - as you are proposing - had been required to be tracked in annual financial reporting it would have resulted in a huge positive contribution to the (theoretical) bottom-line, in a period where the company was obviously doing poorly. I as an investor already find financial statements challenging to wade through, and if these type of logical inconsistencies existed I would be even less likely to spend the effort. My thoughts would be along the lines "I'm a great engineer, but this investing stuff is beyond me" which contradicts all of your efforts to increase the participation of individuals in assessing investments. Someone not understanding stock options would be even more confused about seeing a big positive adjustment in the bottom line.

On a personal level, I am a single woman with a Ph.D in Materials Science, now doing marketing to customers around the world and I have used my stock options and my employee stock purchase plan shares to purchase my house here in Silicon Valley, within 15 minutes of our office. The stock options have allowed me to have the financial security to recently re-finance to a 15 year mortgage and maintain the ability to travel, visit with family, and annually donate approximately 10% of my income to various charities.

While I understand the desire to account for the corporate liabilities, data which is not comprehensible to the investor and is not deemed reliable by the market will not benefit investors. They are likely to be told by investment professionals to ignore this part of the annual report (perhaps adding the value back in to reported numbers). As the only ones likely to benefit are the small number of analyst who track that segment - whose reputations are not stellar at present - I do not see the benefit to the population and a huge cost to the industry.

Regards,

Cheryl Knepfler, Ph.D. **Product Marketing Manager** Applied Materials Inc.