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Letter of Comment No: 2223

From: Soderstrom, Eric [Eric.Soderstrom@kla-tencor.com]
Sent: Wednesday, May 05, 2004 6:14 PM
To: Director - FASB
Cc: Laboy, Tracy
Subject: File Reference No. 1102-100

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The idea that an accounting rule could curtail my ability to participate in the success of my company is disheartening to say the least. Our employee stock purchase plan, (ESPP) and employee stock option plan give me a stake in the success of the company, and they motivate me to work harder. I believe that if companies are forced to expense these plans, my company will be forced to limit the use of the plans. This would negatively impact morale, productivity and innovation.

I believe that mandatory expensing of our ESPP and stock options is bad accounting. The potential dilution of each investor's share of company ownership is the real cost of employee stock options. That cost is already reflected in our company financial statements through "diluted earnings per share". I also do not see that the current proposal clarifies the issues of transparency or accuracy. In fact, I would think given the array of variables and latitude in the assumptions proposed, the valuation methodology would cloud the financial statements more than ever.

Broad-based stock option programs are good for shareholders because employees are rewarded only if our company's stock value increases. In the past, my stock options have enabled me to improve my quality of life in meaningful ways.

I have been with KLA-Tencor for 8 years as an engineer at the bottom level of the organization. The ESPP and employee stock option plan has provided enough extra income for my family to afford a very modest home in Palo Alto where we had settled in during our long grad school years, and where we wanted our kids to attend school. The extra income also allows me to support the organizations which my kids participate in, to give something back to my universities, and to support other local and state causes. I feel very lucky to have had this opportunity to be a part of the success of the Silicon Valley community through KLA-Tencor, and I'm grateful for the stake I have in them both through ESPP and stock options.

I have personally seen the benefits of stock options to companies, employees and families. Broad-based plans should be encouraged, not eliminated and certainly not eliminated by a set of standards that does nothing to add to transparency or accuracy which are the hallmarks of accounting.

Respectfully submitted,
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