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**From:** Eickhoff, Tom [Tom.Eickhoff@kla-tencor.com]  
**Sent:** Monday, May 03, 2004 3:05 PM  
**To:** Director - FASB  
**Cc:** Laboy, Tracy  
**Subject:** FILE REFERENCE NO. 1102-100

**Letter of Comment No: 2165**  
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Dear Sir:

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; areas in which the United States has excelled at in the past, and must continue to excel in to remain the largest and strongest economy in the world.

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. I believe that the situations at Enron, Worldcom and the like were a result of abuse from very high levels, certain individuals, within those companies and are not representative of most companies. Your decision to expense options will most likely not limit the amount of options these certain positions will receive in the future; but will most likely affect the average employee and therefore, impacting morale, productivity and innovation as the average employee will no longer have the same motivation to help the company be successful. Let's also keep in mind the tax revenue that is generated when a company is successful, and options or stock is sold, and taxes are paid.

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.

Even though, to date, I have not exercised or sold any of my stock, having options and stock through the employee stock purchase program provides me with a feeling of comfort that there are extra funds available if an emergency situation arises, and hopefully will help provide for a better retirement in addition to other savings. In fact, I would think that these types of plans allow the average employee the ability to save more, and savings is better for the economy.

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,  
Tom Eickhoff  
KLA-Tencor Corporation