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**Letter of Comment No: 2159**

**File Reference: 1102-100**

**From:** McGrath, Martin [Martin.McGrath@kla-tencor.com]  
**Sent:** Friday, April 30, 2004 4:32 PM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

**Importance:** High

To: director@fasb.org  
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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.

My wife and I have benefited from the proceeds of stock that was acquired through stock options. This has been a motivating force for my family and is good for moral at companies where smart motivated people work together for a common goal. Successful, motivated companies benefit not only the individuals directly involved, but the larger community as well.

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,

Martin McGrath, Electrical Engineer, KLA-Tencor