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Letter of Comment No: 5046 File Reference: 1102-100

From:

gs550@foobert.com

Sent:

Monday, June 21, 2004 2:59 PM

To:

Director - FASB

Subject:

File Reference No. 1102-100, Comment on FASB Stock Option Proposal



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Dear Mr. Robert Herz:

I am writing in reference to FASB's invitation to comment on its exposure draft, "Share-Based Payment," an amendment of Statements No. 123 and 95.

The proposed rules would negatively impact businesses and the public. Companies that offer stock options and stock purchase plans have highly motivated employees that are incredibly productive because they have ability to reap the benefit of their hard work as the company grows and improves its bottom line to Wall Street. Imposing the proposed rules will either: 1) force companies to stop giving options to employees or 2) greatly reduce the bottom-line financial results of the business. Option #1 clearly causes employees to have no vested interest in the success of the company, other than direct compensation. Option #2 will have the same effective result because Wall Street will instantly deflate the value of the company due to its sudden loss of bottom-line results. The technology sector of the US economy will suffer tremendously from these rules and most people that own mutual funds, not just technology workers, will feel the affect.

The money derived from the employees' sale of stock options does not come from the business's bank account. It comes from the investors in the company - the very people that believe and understand the strengths of the company and are willing to back it up as an owner of company. The business understands that it cannot hand out endless stock options, lest they all become worthless due to devaluation of the shares. Therefore, the process is already self-regulated! The notion that stock options need to be directly connected to the company's balance sheet is absurd! To add insult to injury, the proposed method of applying option modeling formulas to calculate the value would be using those formulas in ways they were never intended to be used.

I urge you to strongly consider these points and prevent the proposed stock option rules from becoming law.

Sincerely,

John Terry Brocade Communications 986 Spencer Ave San Jose, CA 95125