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Letter of Comment No: 2893  
File Reference: 1102-100

**From:** Jil Westcott [Jil.Westcott@Sun.COM]  
**Sent:** Tuesday, June 01, 2004 1:23 PM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

Dear Director,

Please reconsider your plans to expense stock options. As a mid-level employee in the high-tech industry, I've enjoyed the past benefit of stock options and seen the impact they've made on others as well. Stock options drive innovation by aligning the interests of employees with shareholders and encouraging us to work hard to make our respective companies succeed. If they do succeed, then we benefit tremendously.

Innovation by the technology sector will help drive economic recovery by improving productivity and creating jobs. Innovation is vital to national security. Government relies increasingly on private-sector R&D, which, in turn, is driven by motivated employees. The US has been immensely successful in innovation, and it is of great concern to me as a US citizen, that you are endangering this trend. Stock options are why people work so hard for so little in the chance that a breakthrough occurs and they are rewarded. Simple salaries can't do this.

Mandatory expensing does not provide investors information that is either more useful or more accurate in assessing whether to invest and does not help end the executive compensation abuses. The financial models that you are proposing doesn't work. First, I can't trade my options and second, the share valuation is completely inaccurate as it can't predict the future and no-one can cash in at the time of the evaluation. Thus, when Sun recently lost a great market valuation, this loss cannot be accounted for. Indeed, a the option price of \$45, you expected sun to get to \$73, instead it went to \$6. Now employees options are worthless, but your proposal would have cost Sun hundreds of millions of dollars at a time that we are struggling as a company. And, Sun would have no recourse for the future.

Please eliminate this proposal. Its only effect is that of stock holder dilution which can be made as transparent as you'd like in the financial statements. The loss of options will make it harder for Sun to recover and harder to retain its staff. There will be a tremendous shortage of qualified people going forward - please don't make it worse.

Instead, how about focusing your efforts on tax benefits for those who train the workforce this country needs?

Regards, Jil Westcott  
Program Manager, Sun Microsystems