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From: David G. Simmons [davidgs@sun.com]
Sent: Tuesday, June 01, 2004 2:24 PM

To: Director - FASB

Subject; File Reference No. 1102-100

RE: File Reference No. 1102-100

Dear Director,

I am writing to oppose the above referenced proposed change to the FASB Standards requiring the expensing of Employee Stock Options. In my opinion, and in my experience, this would be a disastrously bad idea.

Letter of Comment No: 2863 File Reference: 1102-100

I have worked for Sun Microsystems and other High Tech. companies for the past 10 years, and have received employee performance-based stock options at all of these companies. These performance-based options have given me, as an individual contributor to the company, a great stake in the performance of the company, a high degree of motivation to add value to the companies for which I have worked, and have afforded me many opportunities which I would not otherwise have had.

As an employee of a high tech company, one of my greatest concerns for that company is their financial strength. If the company is not financially strong, my job is in jeopardy as is \*my\* financial strength. I would not advocate for anything that makes the position of the company for which I work weaker. That said, stock options are not an expense to the company. At \*worst\* they are a cost to the stockholders (of which I am one!). But they are a cost to the stockholders only in the sense of an investment in the future of the company. The Company (in this case Sun Microsystems) is asking the stockholders to invest in me as an employee with the expectation that I will return that investment with a substantial gain. I can prove that, to date, this has been the case for me and Sun Microsystems, Inc. The stockholders have been well-served by their investment in me as an employee.

Further, there is no financial risk to the company or the stockholders for these options. I cannot hedge these options in any way. I cannot transfer these options to any other party at any time. I cannot trade these options on the open market (or even the black market, as no such market exists for stock options). These options ensure my \*long term\* performance and dedication to Sun Microsystems. I have a 5 year vesting schedule, and \*cannot\* take these options with me should I leave the company for any reason. If I do leave, the options revert back to the company (and the shareholders) at \*NO COST\* to the company. It is a win-win-win situation for the company, the shareholders, and the employees. Employee stock options encourage long-term commitment form employees, long-term commitment from employers, and thereby reduce turnover (and cost!) for the company. The innovations and contributions made to Sun Microsystems by individual contributors with stock options is vast and almost incalculable. These contributions have a direct correlation to the benefits for other, non-employee, stockholders. Stockholders have invested in the success of the individual employees through stock option grants, and have been repaid handsomely for their investments. No one has lost because of employee stock options. \*Only\* in cases of gross financial mismanagement of a company have stock options been an issue, and I would argue that the gross financial mismanagement was in no way related to the stock options themselves, and would have resulted in the same financial disasters regardless of the expensing of stock options for employees. In other words, this proposal will not cure any ills, and will only serve to hurt those that it hopes to protect: employees and stock holders.

Finally, there is the benefit to me personally and to the economy (both locally, regionally and nationally). Employee Stock Options granted to me by Sun Microsystems have enabled me to purchase a house which I otherwise would NOT have been able to do. They enabled me to be a first-time home buyer in a market that was otherwise out of reach for me. The sale of my options for this purchase resulted in capital gains taxes for the state and federal government as well as additional real estate taxes for the state and local governments. This was not a small contribution! Later, stock options allowed to purchase a new car, and to make improvements on my home, all of which had demonstrable positive financial impacts on the economy. Every dollar of stock option grants returns to the economy ten-fold in time. High tech, fueled by innovations from employees motivated in part by stock options have been the engine of growth in this economy for well over 10 years. If stock options become an expense for corporations they will vanish from rank-and-file employees, and this climate of innovation, growth, and financial and economic gain will evaporate over night.

I urge you in the \*strongest possible terms\* to reject this proposal. It is bad for companies. It is bad for innovation. It is bad for the conomy. It is bad for employees. it is bad for \*me\*!!

Best regards,

David G. Simmons

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-Anonymous
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