October 11, 2007

Technical Director
File Reference: Proposed FSP APB 14-a
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Ladies and Gentlemen:

Re: Proposed FASB Staff Position APB 14-a

We appreciate the opportunity to comment on the recently proposed FASB Staff Position (FSP) APB 14-a. We have concerns that center around:

- Its focus on a small component of a broader more comprehensive FASB project around Liabilities and Equity and potential conflict between the two resulting in further change.
- The impact retroactive implementation on issuers whose decisions to raise capital were made in consideration of the prescribed accounting treatment at the time.
- Comparability issues between similar forms of convertible debt.
- The proposed implementation timeframe impacts business plans and does not allow companies affected by the FSP time to implement changes to their capital structures if they desire to do so.
- This change will make investor understanding of company's financial statements more difficult.

Potential Conflict with Liabilities and Equity Project

The FASB currently has a Liabilities and Equity project which is referenced in Appendix B on page 16 of the FSP. This project has recently "tentatively decided" that it will use the "Ownership Approach" as its method for classifying and measuring financial instruments. Under this approach, "equity instruments" are direct ownership instruments. All other instruments are liabilities or assets. This seems like it could be in conflict with FSP APB 14-a. This could then again require issuers to use different accounting for the same debt instruments which would cause further investor confusion, not clarification. We also have convertible debt that is not addressed by the proposed staff position and it is very similar and could be just as easily construed to have an "equity component", but it will be treated differently for accounting purposes which raises very real comparability questions on our own financial statements. We believe that the broader effort looking at accounting for equity interest in financial instruments should be concluded and then be interpreted to specific issues like the one being addressed by FSP APB 14-a.
**Significant retroactive change for issuers**

In January 2006, we issued our convertible debt that has a net share settlement feature. Most convertible debt issued around that timeframe included a net share settlement feature. We evaluated the prescribed accounting treatment and other factors to make our decision. (EITF 90-19 (Instrument C) and EITF 03-07, both of which discussed the accounting treatment for a unitary, net share settled convertible instrument. These two EITFs described (1) the fact that interest expense would only be taken at the rate of the convertible coupon and (2) that the Treasury Stock Method would be the appropriate methodology for determining share inclusion.)

To subsequently have an accounting interpretation that can materially impact the treatment of this financing disrupts the financial and business planning of the affected companies. Some companies could find that this change will cause them to be in conflict on a financial covenant without time to address or make changes to their financial arrangements or capital structure.

**Comparability issues between similar forms of convertible debt**

This FSP draws a hard line in the accounting treatment between our convertible debt with a cash settlement feature and our convertible debt which does not have a cash settlement feature. Both have discounted interest rates based on the potential to participate in an increase in our share price. Yet the accounting treatment is materially different over basically how any of this increase in the share price is paid out. This creates an accounting comparability issue that is not justified by the limited difference in the financings.

The proposed accounting treatment for convertible bonds with a cash settlement feature is likely to cause these cash settlement features to become rare in the future. Bonds with this feature were the primary form of convertible debt issued in 2006 and 2007 with limited if any usage before then. A prospective application of this FSP would have the practical implication of limiting the amount of this type of debt to that issued in the past two years and also limit the comparability issue discussed above.

**Proposed implementation timeline**

The timeframe of implementation is extremely aggressive. The change in accounting could cause company business plans to be reworked if the companies have made their plans for 2008 based on current GAAP accounting, as the interest expense change of this proposed treatment will be material for many companies. A change to be implemented at the start of 2008 this late in 2007 could put FASB in a position we don’t believe it wants to be, or should be in, of causing companies to redo their plans and business strategies because of a late accounting change. It also does not allow companies time to alter their capital structure in light of the new accounting treatments or provide sufficient time to educate the financial community about the effect of the change.
Proposed change will increase complexity of financial statements for investors
We believe this change will result in greater investor confusion. The proposed FSP will require significant explanation to investors over the life of the bond with respect to how much true debt is outstanding, changes to actual and imputed interest expense, changes to equity balances and tax implications of these treatments making things even more complex for investors to understand.

As currently handled, the balance sheet clearly shows the principal amount owed, interest expense is reconcilable to the size of debt and related interest rates, and the footnotes clearly explain under what circumstances bondholders would receive additional payment. We believe this current approach is more useful to shareholders than the outcome of the proposed FSP.

In summary, we recommend:

FSP APB 14-a be shelved until the “Liabilities and Equity Project” has reached a conclusion on these issues from a broader standpoint.

Once the Liabilities and Equity Project settles the fundamental approaches, interpret the issues with the broader fundamental direction in mind, implement the changes against new issuances on a prospective basis and provide enough time for issuers and the financial community to understand and address the impacts and make changes to their financial structure if they deem it appropriate.

Sincerely,

John Ingleman
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Hutchinson Technology, Inc.

David Radloff
Vice President of Corporate Finance
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