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Letter of Comment No: 3022

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From: Peter Harmon [peter.harmon@sun.com]
Sent: Wednesday, June 02, 2004 1:03 PM
To: Director - FASB
Subject: File Reference No. 1102-100

I wanted to send a few comments about your proposed changes to expensing stock options. From what I understand and based on my experience this proposed new law will not help US industry, shareholders, the economy nor innovation. Stock options is a driving force to encourage corporate loyalty and to help focus on corporate & shareholder wealth.

As usual, any law that is reactionary to a situation can also go too far in fixing any perceived problems. The stock options I have received for the last 4 years are primarily under water (i.e., worthless) and has a high probability of not being exercised since they will be worthless for quite some time. The problem with the current law is that the expense calculations would have be very incorrect and actually penalized my company without any justification.

The end result if this law is implemented is that stock options will not be issued by any companies in the manner that they are today. In fact the only folks that will be penalized will be the non-vp level workers (the majority of the employees of a company) and will not really affect executive mgmt since they may still get options as perks. The only individuals you will be hurting are the average employees and not the executives how are perceived to get too much benefit from any stock options. This is wrong!!

The other side of the coin is that options do promote innovation, company loyalty, the driving for revenue and a focus on my company's stock price (aka earnings/ PE ratio, etc.)

With all the outsourcing that is happening in the tech industry, you are creating an environment which will hamper innovation and the ability for companies to motivate, incent and reward employees for their hard work and innovation.

I want to highlight that expensing options as proposed is erroneous as I mentioned previously and will not have resolve the majority of the issues it is trying to address. In fact, I believe it will have a negative impact on both our ability to compete with overseas competition and ultimately erode the technological lead we enjoy today in the world market place.

Please do not implement this new law as it exists today.

Thanks
Peter Harmon