



LETTER OF COMMENT NO. 4

Mr. Lawrence W. Smith
Director of Technical Application and Implementation
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

RE: Proposed FASB Staff Position 123(R)-e, Amendment of FASB Staff Position FAS 123(R)-1

Dear Mr. Smith:

Tyco International Ltd. appreciates the opportunity to comment on the Financial Accounting Standards Board's ("FASB") Proposed FASB Staff Position (FSP) 123(R)-e, *Amendment of FASB Staff Position FAS 123(R)-1*. Overall, we support the issuance of the proposed FSP because we believe it provides helpful guidance for preparers and auditors in better understanding the scope of the exception under FSP FAS 123(R)-1. However, we believe certain additional areas warrant consideration and additional clarification in this FSP, in order to avoid diversity in practice and to provide clear guidance. Those areas are as follows:

Item 1: The Board outlined two conditions (in paragraph #4 of the proposed FSP) to be met in order for the recognition and measurement of the instruments remains unchanged. We believe that the FSP should be clear that both terms must be met in order to satisfy the scope exception and not just one condition needs to be met.

Item 2: The first condition in paragraph four states in part "either there is no increase in value to the holders of the instrument...". We believe that the FSP should expand on the discussion surrounding the value. The FSP as it currently stands its unclear on which value should be considered for the purpose of applying this FSP. Should the value be measured from the employer's point of view or the instrument holder's point of view? For example, a modification to an equity instrument using intrinsic method would not result in a change in value to the holder but will result in a change in value to the Company. On the other hand a modification to an equity instrument using fair value method would not result in a change in value to the Company but will result in a change in value to the holder.

We understand that SFAS 123R requires the use of fair value method to measure equity instruments. However, prior to issuance of FAS 123R both the employer and the employee

applied the intrinsic method. We believe that intrinsic method is still commonly used in the market place.

In addition, paragraph four focuses on increase in value to the holders. We believe that the FSP should address the change (increase or decrease) in value to the holder rather than focusing on the increase only.

Item 3: The second condition in paragraph four states "all holders of the same class of equity instruments are treated in a similar manner". We believe that the FSP should clarify the meaning of "all holders". Is the FSP referring to all holders within the group of non-employees or all employees holding similar instruments regardless of the employment status. We believe that the FSP should address a situation were a company is performing partial restructuring and not all holders are impacted by the restructuring.

Again, we appreciate the opportunity to express our views on the proposed FSP. If you have any questions regarding this letter, please do not hesitate to contact Kevin MacKay at (609) 720 4640 or Sam Eldessouky at (609) 720 4627.

Sincerely,

/S/ Kevin J. MacKay

Kevin J. MacKay
Vice President, Assistant Controller

/S/ Sam Eldessouky

Sam Eldessouky
Director, Technical Accounting Research

Cc:

(C.A.) John Davidson
Senior Vice President, Controller and Chief Accounting Officer
Tyco International Ltd.