

**STATEMENT OF
DEBORAH NIGHTINGALE
PROJECT MANAGER, SUN MICROSYSTEMS, INC.**

**BEFORE
THE HOUSE SUBCOMMITTEE ON CAPITAL
MARKETS, INSURANCE AND GOVERNMENT-
SPONSORED ENTERPRISES**

**HEARING ON
“THE ACCOUNTING TREATMENT OF EMPLOYEE
STOCK OPTIONS”**

TUESDAY, JUNE 3, 2003

Thank you Mr. Chairman and Committee Members for allowing me to be here today to speak to you about the importance of broad-based stock options plans to rank and file employees across the country. I'd also like to thank Representatives Dreier and Eshoo for their leadership on this important issue. I'm here today speaking as one individual, but I know I represent the views of thousands of my colleagues at Sun Microsystems, and hundreds of thousands of workers at companies that provide broad-based stock option programs across the United States.

About Debbie Nightingale

Today, I have a dual career, working full-time for Sun Microsystems and serving part-time as a lieutenant colonel in the Army Reserves. I served on active duty early in my career and decided to leave the Army to pursue opportunities a civilian career provides. However, I chose to remain in the Reserves because I enjoy the military. Having been mobilized for over 6 months shortly after 9/11 to help lead the airport security effort in northern California airports, I am honored to continue to serve my country. In 15 years since leaving active duty, I have worked for four companies – high-tech and non-high tech - and have been with Sun Microsystems for the last five years.

Stock Options Create Employee Commitment and Loyalty

While I have enjoyed working for all four companies, there is no doubt that I am more committed to Sun Microsystems because of stock options. The reason is simple. In reward for good performance, Sun has given me a lot of stock options. While my options are currently all “under water,” I am committed to staying at Sun and helping Sun succeed, expecting to reap the benefits when things turn around. Moreover, I continue working hard to keep getting stock options.

Stock Options Attract and Encourage Innovators and Entrepreneurs

Having worked both in high-tech and non-high tech companies, one big differentiator, in my opinion, has been that employees in high-tech tend to be more innovative and entrepreneurial than non-high tech. Granted high-tech typically pays more, but how do high-tech companies continue to motivate secure, well paid employees to keep innovating and taking risks? Based on my own experience, stock options provide the solution to this challenge. I work and think differently as a result of having stock options. While I have always been dedicated, stock options incent me to do more than simply work hard and please the boss. I am motivated to drive Sun's results so that I can benefit in some sizable sharing of profits, not just a slightly better-than-average pay raise. I am constantly focused on identifying innovative new ways to cut operating costs so that Sun can continue its R&D investments. I feel I have a real stake in the company's future success: Sun does well – I do well.

Stock Options Give U.S. Companies a Competitive Edge

As a member of the armed forces, I am very aware that the technologies US high-tech companies develop are a key element of our military strength and our national security. A unit, which was under my command as a battalion commander is currently deployed to the Middle East. While these soldiers are 'in harms way' every day, I feel just a bit better

knowing that they have absolutely every advantage that technology and superior equipment can give them. If we want to continue to have the strongest military force in the world, then we need to ensure U.S. high-tech companies retain their competitive edge. Maintaining global leadership in high-tech innovation is key to a strong economy, and to our national security.

Broad-based stock options are good news for U.S. companies and employees alike. Companies who include them as part of their compensation plans find themselves more able to attract and retain talented employees who are highly motivated for the success of their employers. One could argue that should our foreign competitors start using broad-based stock options just when the U.S. is considering steps to curtail them, this would be bad for our competitiveness, and possibly bad for our long-term national security.

Broad-based Stock Options REALLY matter to 'rank and file' employees

Stock options are a key reason I came to work for a top high-tech company and one of the reasons I stay. Employees like me need you to address concerns regarding accurate financial disclosure, while still ensuring that broad-based stock option plans remain a viable part of our compensation.

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Stock Options Attract and Encourage Innovators and Entrepreneurs

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Stock Options REALLY matter to 'rank and file' employees

In summary, HR 1372 makes a lot of sense. It increases disclosure requirements now without discouraging broad-based employee stock option plans, gives more time to study the issue and to look for true win-win solutions. This issue is important to me and to my fellow employees. We do not want to see broad-based stock option plans eliminated.