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Letter of Comment No: 3656
File Reference: 1102-100

From: Dianna Yee-Stauffer [dianna.yee@sun.com]
Sent: Monday, June 07, 2004 7:34 PM
To: Director - FASB
Cc: Dianna.Yee@sun.com
Subject: File Reference No. 1102-100

Dear Sir or Madam:

I am writing in response to your proposal to require the mandatory expensing of company stock options as discussed in File Reference No. 1102-100. I believe that this may be an overly heavy-handed response to corporate corruption by a few executives. Your proposed plan penalizes the ordinary employee who for the most part is honest and hardworking.

Stock options are an incentive for the employee to work hard for the success of the company. This includes working long hours, being more innovative and aggressive in pursing new ideas and technologies, and taking that extra step that might put the company ahead of the competition. When the company does well and stock prices are high, the employee reaps the benefits of that success. With the downturn and little raises, stock options are the incentive to keep people working hard.

Mandatory expensing, based upon your proposed Black-Scholes formula, is flawed and will only hurt the employee. The formula is based on the assumptions that stock options are short term and tradeable. Stock options vest over a period of five years and are often not tradeable, dependent upon the price at time of vesting. The mandatory expensing will force corporations to cut back on the number of options they make available to the employees.

I ask that you reconsider your proposal and its effect on the average worker.

Regards,

Dianna Yee-Stauffer
Sun Microsystems