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From:

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**Sent:** Wednesday, June 02, 2004 9:28 PM

To: Director - FASB

Subject:

File Reference No. 1102-100

Letter of Comment No: 3645 File Reference: 1102-100

Director FASB,

Broad based employee stock options make a difference, not only for me, but also for the US economy and US competitiveness. It's important to US innovation, competitiveness and employee ownership will be impaired without justification.

Employee stock options are not an expense to the company. My view is that the cost is not to the corporation, but to the stockholders via stock dilution. This impact can and should be shown in the quarterly and annual reports through full disclosure of outstanding shares and their status -- something Sun already does.

Current models grossly overvalue, and therefore penalize, broad-based employee stock option plans. The Black-Scholes and binomial models advocated by FASB for valuing options at grant date do not take into account their unique nature. In particular, FASB has not fully taken account of the fact that these options are: nontransferable; cannot be hedged; are long-term with typical vesting periods of four years and exercise periods of 10 years; generally forfeited if an employee leaves the company or is terminated prior to vesting; and, most importantly, that no market currently exists for trading employee stock options.

Nor has FASB permitted any means to "true-up" an expense in later years. For instance, in July 2000 Sun granted options that under Black-Scholes modeling would have resulted in a \$647 million hit to our bottom line. All these \$45.09 options are now deeply underwater, yet under the FASB proposal Sun would have no opportunity to correct, or true-up, our financial statement.

Please consider not supporting expensing employee stock options.

Thanks,

Lisa Paul

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