

From: Josh Reynolds [Joshua.Reynolds@Sun.COM]
Sent: Tuesday, June 01, 2004 12:51 PM
To: Director - FASB
Subject: Letter of Opposition to FASB Stock Option Expensing Mandate (File Reference No. 1102-100)

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I am sending this letter to register my opposition to the FASB Proposal to mandate stock Option expensing. As a mid-level manager in the High-Tech industry I have direct experience of the importance stock options play in driving innovation at both large and small companies, and of the impact stock options have in motivating employees in these companies to excel.

Broad-based employee stock options make a difference, not only for me as an employee, but also for the US economy and US competitiveness. Stock option expensing will surely drive much of the Tech start-ups offshore, and will make it more difficult for larger Tech companies to attract top talent.

Employee stock options are not an expense to the company. I believe 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.

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 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.

I strongly urge you to reconsider your thinking on this issue.

Sincerely,

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