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From: Sent: Cem Fide [Cem.Fide@Sun.COM] Tuesday, June 01, 2004 12:54 PM

To: Director - FASB

Subject:

File Reference No. 1102-100

Letter of Comment No: 2908 File Reference: 1102-100

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Dear Sir/Madam,

I am writing this letter in order to express my concern about the following points regarding the file no 1102-100:

1) Broad-based employee stock options make a difference. Not only for me, but also for the US economy and US competitiveness. These stock option plans are a driving force among workers like myself. Many people transfer from one company to another just because of this, therefore, the importance cannot be overlooked.

<http://www.sun.com/aboutsun/policy/s-options.html>

- 2) Employee stock options are not an expense to the company. 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.
- 3) 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.
- 4) 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. I personally have stock options rated at \$18 and the current stock price for Sun is \$4. How can this be an expense to the company when it is highly likely that this will never be exercised?

I would like to ask you reconsider your stand on this matter.

Sincerely, Cem Fide