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From: inge Kavanaugh [Inge.Kavanaugh@Sun.COM]

Sent: Tuesday, June 01, 2004 2:17 PM

To: Director - FASB

Subject: File Reference No. 1102-100

To who it may concern,

 ${\rm I}$ am writing in concern about the potential requirement for companies to expense stock options in their financial reports.

I feel strongly that broad-based employee stock options make a difference. Not only for me as an employee, but also for the US economy and US competitiveness. I am also concerned that 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 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.

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These are just a few of the reasons we need to continue to give corporations the right to grant stock options without having to expense them in their financial reports. Thank you

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Inge Kavanaugh