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From: Sent: To: yan xu [Yan.Xu@Sun.COM] Tuesday, June 01, 2004 1:24 PM Director - FASB

File Reference No. 1102-100

Subject: File Reference

Hi,

The issue of mandatory expensing of stock options has broad consequences to both the economy and national security, and it therefore must be examined in that broader context; not merely as a pure accounting issue.

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The "Broad-Based Stock Option Plan Transparency Act of 2003," HR 1372 and S. 979, requires greater disclosure to give investors more useful and accurate information, places a three-year moratorium on mandatory changes to stock option accounting, and mandates a study by the Department of Commerce to evaluate the effects of broad-based stock option plans on employee recruitment and retention, innovation, economic growth, and U.S. competitiveness. The "Stock Option Accounting and Reform Act," H.R. 3574 and S. 1890, requires (1) expensing of stock options granted to the top 5 corporate officers using means reflecting the impossibility of accurately predicting future stock price volatility and exempting small business and recent IPOs, and (2) a prohibition on mandatory expensing of broadbased plans unless and until the FASB develops a "truing up" mechanism and a similar study as in HR 1273 has been completed.

These bills provide a reasoned approach to this issue that is responsive to investors, employees, and to the nation's economic and security interests. We urge you to support enactment of either bill.

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