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Letter of Comment No: 3013  
File Reference: 1102-100

**From:** Michelle Clopton [Michelle.Clopton@Sun.COM]  
**Sent:** Tuesday, June 01, 2004 8:13 PM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100

Re: File Reference No. 1102-100

I am sending this letter as evidence of my strong opposition to the FASB stock option expensing mandate. As a result of this mandate, you will be hurting not only individual employee stock option owners such as myself, but U.S. business as well. The vast majority of stock options are granted to rank and file employees -- not VPs and executives. We employees are the ones driving innovation in the U.S., and disincensing us to continue this will only make U.S. businesses -- both large and small -- less competitive in the global economy. Might as well send our jobs overseas!

As for the financial impact, 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 -- something that my company, Sun Microsystems, already does.

Current models grossly overvalue, and therefore penalize, broad-based employee stock option plans. I believe that the 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. I am also concerned that FASB has not permitted any means to "true-up" an expense in financial statements, in later years.

My take: stop looking only at the accounting models, and take a hard look at how this mandate will affect rank and file employees, and U.S. competitiveness overall.

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

Sincerely,

Michelle Clopton

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