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Letter of Comment No: 5193
File Reference: 1102-100

From: Dave Bristor [David.Bristor@Sun.COM]
Sent: Monday, June 21, 2004 6:14 PM
To: Robert Herz; Director - FASB
Subject: File Reference No. 1102-100

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Dear Chairman Herz and Directors:

The company I work for, Sun Microsystems, has asked me to write to you in defense of current stock option plans.

I STRONGLY SUPPORT EXPENSING OF EMPLOYEE STOCK OPTIONS. I disagree with some things they claim. I believe that treating employee stock options as an expense will lead to greater transparency and accountability in the way corporations are led.

To me the biggest issue is the statement by several people (generally higher-ups in corporations) that if FASB requires employee stock options to be expensed, that in the future, employee stock options will not be available to as broad a constituency of employees. This to me is entirely wrong: As far as I've seen reported, the problem with employee stock options does not stem from any mis-use nor abuse of them by rank-and-file employees, but by higher-ups in corporations. It would be sad if expensing caused corporations to behave this way, but employees could vote with their feet, getting jobs at more enlightened corporations.

Refuting their claims, one by one:

"Broad-based employee stock options make a difference". Sure they do, just look at what happened to Enron and others. Many people lots lots of money. Had employee stock options been expensed, perhaps Enron's leaders would not have gotten themselves into such a pickle, nor hurt others in the process.

"Employee stock optsion are not an expense to the company". When an employee stock option has a strike price or $1 and the stock is at $10, the company has a $9 liability until the employee exercises, at which time the company has an expense. Of course this changes over time with the value of the stock. No problem, expenses vary each quarter.

"Current models grossly overvalue, and therefore penalize, broad-based employee stock option plans". Intelligent people have brought forth the wonders of personal computers, the internet, cell phones...I don't believe that they cannot also agree on a reasonable or at least acceptable way to expense options.

Thank you!
Dave Bristor