Letter of Comment No: 4785
File Reference: 1102-100

June 17, 2004

Financial Accounting Standards Board
Director of Major Projects – File Reference No. 1102-100
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Proposed Statement of Financial Accounting Standards, "Share-Based Payments, an amendment to FASB Statements No. 123 and 95"

INTRODUCTION

On behalf of Micro Component Technology, Inc. (MCT), we submit these comments to the Financial Accounting Standards Board (FASB) in response to the Exposure Draft on the proposed amendments, referenced above ("the ED").

MCT is a small cap U.S. based corporation, traded on the Over-The-Counter Bulletin Board. We maintain offices in Saint Paul, Minnesota, San Jose, California, Penang, Malaysia, Singapore and the Philippines. We are committed to promoting transparent and high-quality financial reporting on a global basis.

MCT utilizes the grant of employee stock options ("ESOs") to the majority of our employees and also utilizes an employee stock purchase plan ("ESPP"). Accounting for ESOs and ESPPs under the standards proposed in the ED will have a material impact on our financial statements.

MCT'S COMMITMENT TO SOUND ACCOUNTING

For MCT, the clarity, relevance and comparability of company financial statements is a paramount concern. Our chief executive officer and chief financial officer are now required to certify that financial statements "fairly present in all material respects the financial condition …

of the issuer."[1] These certification requirements are "not limited to a representation that the financial statements and other financial information have been presented in accordance with 'generally accepted accounting principles.'" *Id.* Rather, we must certify to "a standard of overall material accuracy and completeness that is broader than financial reporting requirements under generally accepted accounting principles." *Id.* The SEC considers the certification to include "selection of the appropriate accounting policies, proper application of appropriate accounting policies, disclosure of financial information that is informative and *reasonably reflects the underlying transaction* and events...." *Id. (emphasis supplied).*

The requirements to reasonably reflect the underlying transaction whereby employees are granted stock options makes it essential that FASB's new standards for employee stock options get the accounting right. Therefore, MCT has seriously considered the potential effect of the ED and its proposed amendments to Statements 123 and 95 on the quality of financial reporting for our shareholders and our investor community at large.

MCT supports full disclosure to investors on the dilutive impact of ESOs. We also believe that currently mandated footnote disclosure in financial statements and additional disclosure in SEC filings, fully describe the effect that a compensation charge would have on bottom-line financial results as well as their impact on shareholders and executive compensation. Many companies have voluntarily provided additional disclosure in response to concerns on transparency.[2] Therefore, if there are informational gaps, we think companies have responded and will continue to respond in order to fill those gaps.

SUMMARY OF COMMENTS

Our comments in this letter will address these significant financial reporting issues. They are summarized here.

1. Regarding the proposed requirement for a fair value charge at grant date:

- There is no adequate means of valuing an employee stock option at grant date;
- Employee stock options are unique financial instruments, which are not comparable to market-traded option contracts;
- Use of the lattice or Black-Scholes models to value ESOs/ESPPs will introduce assumptions and predictions into the financial statements that will impair comparability and usefulness for investors; and
- The absence of guidance on a number of key implementation matters would further diminish the accuracy, comparability and consistency of financial statements.

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[1] Exchange Act Release No. 34-46427, Certification of Disclosure in Companies' Quarterly and Annual Reports, 67 Fed. Reg. 57275, 57279 (September 9, 2002).

[2] "TechNet and AeA Propose Guidelines For Expanded Employee Stock Options Information -- 33 Companies Have Agree to Make Voluntary Disclosures," November 14, 2002, http://www.technet.org/issues/stock_options_disclosure.html.

2. In addition, we believe that investors get more-than-adequate information from current accounting and that current accounting serves investors in a manner superior to that which investors would receive under the ED. We are aware of no circumstances where investors have been misled by current financial reporting on the impact of stock options on the finances of a company.[3] We do not believe that these proposed amendments would improve financial reporting or assist investors in understanding the impact of ESOs/ESPPs.

3. We also offer some recommendations regarding implementation, should the FASB move forward with the proposed amendments.

- If ESOs must be expensed, it would be more transparent to require that they be expensed after reporting net income from operations. Such "below-the-line" presentation on the P&L would preserve the integrity of the core financials and would be a more logical step toward integration of current footnote disclosures.
- The amendments should allow companies to consider the impact of clawback provisions in option grants in measuring the fair value at the grant date.
- The amendments should provide greater leeway in footnote disclosures regarding ESOs/ESPPs, rather than mandating additional types of information.
- The transition period should be extended by at least one year so that MCT as well as other companies have time to adapt to the proposed valuation methodology. This is necessary since there are few providers capable of building the complex models that will be required under the lattice model.

I. SPECIFIC COMMENTS ON KEY ISSUES

Issues 3 & 4: Measurement Date and Fair Value Measurement

A. There is no adequate means of valuing an employee stock option at grant date.

MCT believes that there is no appropriate date for measuring any compensation cost of ESOs. However, we agree that, from a list of bad choices, grant date is the most feasible date for measuring fair value. Grant date is only the best of various bad choices because there is no adequate means of valuing an employee stock option at grant date. Therefore, the ED's proposed treatment of ESOs/ESPPs will neither enhance the transparency, nor improve the quality of financial reports for investors.

The ED proposes to require that an expense be measured for an ESO at the grant date and that the amount of the expense be based on the "fair value" of the ESO to which employees will become entitled when all vesting requirements have been satisfied. ED, Appendix A, Amendment to Statement 123, Paragraph 17; Appendix B, Implementation Guidance, Paragraph B2. Since ESOs are not freely tradable or transferable, and there is, therefore, no "observable market price," the ED would require use of an options pricing model to determine value.

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[3] The only exception to this blanket statement is the circumstance where investors are led to believe that the theoretical compensation expense in footnote disclosure is accurately measured. As is well known, the Black-Scholes model consistently overvalues ESOs by a significant amount.

The ED declines to specify any acceptable or preferable option-pricing model by name, but rather specifies the factors that must be included in the option-pricing model used. This is understandable since none of the available option pricing models for market-traded options is suited to the task of enhancing transparency and improving the quality of financial statements. However, the proposed amendments to Statement 123 and the Implementing Guidance in Appendix B make it clear that the lattice/binomial model and the Black-Scholes model are the best the FASB can find.

These models are inadequate for a number of reasons. First, they are designed to value radically different types of financial instruments and have never been proven to serve as a suitable model for non-market/non-transferable instruments like ESOs.

Second, the use of these models to produce expense numbers will result in a lack of uniformity and transparency. No matter how much effort goes into producing quality numbers, the number of assumptions and the range of choices within those assumptions would impair the comparability of these numbers and undermine the usefulness of the financial statements. While the FASB may not concern itself with the integrity of these numbers, issuers and investors will struggle to make these numbers relevant in the absence of greater uniformity. The more financial statement users understand about the means used to develop ESO expense numbers, the less they will view them as comparable or reliable.

Black-Scholes is an empirically based mathematical formula used to determine the theoretical value of *market-traded* options. The lattice model may be a more complex approach to valuation, but it is designed and used for the same purpose as Black-Scholes. Market-traded options were created for trading. By design, they are simple financial instruments. Black-Scholes and the lattice option pricing models were developed to value these simple, short-lived trading instruments. These models assume that there is a liquid market for the instruments – that traders, hedgers, arbitrageurs and speculators will be ready buyers or sellers based on changes in the market for a given option. The models also assume that the instruments themselves:

- are freely transferable at any time;
- have a life that is fixed and measured in days, weeks or months; and
- can be hedged against the underlying security.

These assumptions, used to develop a value for market-traded options, simply do not apply to employee stock options. If ESOs must be valued at model-based fair value at their date of grant, then FASB should offer implementation guidance regarding models that it knows are designed and tested for the purpose of valuing "non-marketable/non-transferable" ESOs.

B. Employee stock options are unique financial instruments, which are not comparable to market-traded option contracts.

ESOs are designed for a completely different purpose than market-traded options. ESOs are intended to motivate employees to bring a heightened sense of ownership, purpose and focus to their work. ESO terms vary greatly among the companies that issue them because companies'

boards have different approaches to accomplishing this important, but sometimes elusive purpose. Comparing market-traded options to an ESO is like comparing a baseball trading card with a baseball player's contract. One is designed for trading and collecting. The other must address the far more complex issues of employee motivation, alignment and the other intangibles that make the critical difference in highly competitive businesses.

No market exists for ESOs. Indeed, the very concept of fair value is strained with regard to ESOs because there are never buyers or sellers, only grantors and recipients. For the vast majority of option grantees -- those who receive options under broad-based plans -- no bargaining takes place. Furthermore, the employee does not own the option until he or she has met all the option's conditions, including remaining employed for a multi-year vesting period. Thus the employee "buyer" has no immediate claim to the option and no other person can ever have a claim, because they are not transferable. And the employer "seller" requires only continued employment for which the person is being paid separately. Imposing a fair value concept of a current transaction of willing parties on such an arrangement is to require not just a fiction, but a fallacy. While there is little experience to date, every indication shows us that the market would assign a value of zero to stock options like ESOs, that are non-transferable, non-vested, with an at-the-money option.[4] At least some prospect for a market should exist before application of the concept of fair value is presumed to be feasible.

The following characteristics further distinguish ESOs from the types of instruments that option-pricing models are designed to value. Unlike tradable options, most ESOs are:

- forfeited if an employee leaves the company before the option vesting date;
- subject to cancellation, if an employee is involuntarily terminated;
- non-transferable;
- subject to restrictions even after vesting;
- not hedgable;
- long-term lived;
- usually exercised prior to expiration; and
- exercised based on decisions that are external to operations of the company.

Therefore, anyone relying on the value of an ESO, derived from one of the ED's chosen methods, faces the distinct disadvantage of knowing that these "oranges" were valued as if they were "apples." Moreover, further investigation into the application of these models to ESOs demonstrates conclusively that the values reached would be based on the type of speculation that does not belong in financial statements.

C. Use of the lattice or Black-Scholes models to value ESOs will introduce assumptions and predictions into the financial statements that will impair comparability and usefulness for investors.

[4] *See generally*, Corp Law Blog, "Microsoft Stock Option Transfer Program: the Outside Scoop," (October 16, 2003) ("Tendered Options will be amended to conform to a standard ISDA-based exchange-traded option form. This will facilitate their resale by JP Morgan."), http://www.corplawblog.com/archives/000253.html.

The option pricing models are highly sensitive to estimation of three key variables:

- expected volatility of the underlying stock;
- risk-free interest rate; and
- expected life of the option.

These kinds of inputs can be predicted with some accuracy over periods of days or months; therefore, option-pricing models are useful for typical market-traded options. However, over the long lives of ESOs such predictions are hazardous. The only certainty is that these assumptions will be proven wrong. The obvious question is then "what is the margin of error?" And the only honest answer is, "we don't know." Therefore, under the ED, companies will be required to make predictions about stock price volatility, interest rates in global capital markets and the options themselves, despite the fact that they can have almost no confidence in those predictions. This means, of course, that the company's senior executives must somehow certify that these assumptions reflect a "proper application of appropriate accounting policies, disclosure of financial information that is informative and reasonably reflects the underlying transaction," *supra,* footnote 1, over and above GAAP.

D. The absence of guidance on a number of key implementation matters would further diminish the accuracy, comparability and consistency of financial statements.

The proposed amendments offer no guidance on a number of key implementation matters because none is available. FASB's failure to address these issues further diminishes the accuracy, comparability and consistency of financial statements for U.S. companies.

Companies implementing the ED's proposed changes will need to answer a number of questions for which there is inadequate guidance in valuing ESOs. Among these questions are:

- variance of stock price volatility levels for multiple expected option terms;
- method of forecasting volatility using actual historical and/or implied levels of volatility;
- risk-free interest rates over a long term for multiple expected option terms;
- setting probabilities for each iteration in multiple exercise scenarios of a lattice model;
- number of exercise scenarios or iterations needed to support a statistically significant outcome from historical databases;
- methodology for discounting the fair value of options due to post-vesting transferability restrictions; and
- predicting future employee exercise behavior where no comparable historical experience is available, e.g. after a spin-off or an acquisition.

The ED's proposals would greatly complicate the work of companies that must prepare financial statements. They would also impede the transparency and usefulness of financial statements. FASB's proposal suggests that the absence of a well-designed model for valuing ESOs is a situation that can be remedied by the valuation profession. However, the ED presents more than mere challenges for valuation professionals, company executives and auditors. It presents a requirement to develop highly speculative numbers that will reduce net income, basic earnings per share and diluted earnings per share *as reported to investors under GAAP.* It will require

financial statement preparers to expend significant time and resources to make their best effort to provide the best inputs available to the required models. Still, they will know that they are following FASB's requirements toward a number that they do not believe is accurate or an appropriate presentation of the options grant transaction.

While it is likely that company executives, financial analysts and sophisticated investors will know to disregard the number, others will not. Therefore, it is highly likely that the net effect of this new accounting standard would be to limit the use of ESOs in order to avoid the counterproductive burden that the proposed amendments would impose.

When a proposed standard creates such a burden and such an unreliable result that it runs a significant risk of changing the very culture of reporting companies, it is prudent to stand back from the politically charged rhetoric before proceeding. The absence of a workable valuation model for non-market/non-transferable ESOs is the most critical flaw in this proposal. We agree that the trust in our public companies has been badly shaken by a few bad examples – but it is important to point out that the FASB going to extremes to prove a point and win for the sake of winning will not result in better corporate governance, financial comparability, transparency or accuracy. Prosecuting the bad guys and bringing them to justice will.

Issues 1 & 2: Recognition of Compensation Cost

Investors get better information from current accounting standards than they would under the proposed amendments.

Amendment of Statement 123 to require recognition of a compensation cost will not improve financial reporting. Various arguments are made in the ED, and have been made elsewhere, in support of recognition of a compensation cost in the income statement. However, we are aware of no instance -- or even a claim -- that investors were misled to their detriment by the current accounting treatment and extensive footnote disclosures of employee stock options. Shareholders, the investing public and equity analysts have sufficient information to determine the full impact of employee stock options in each reporting period. Under the basic requirements of GAAP reporting today, investors receive all the information that the ED would require on the impact of ESOs on net income, earnings per share and more. The typical footnote disclosure in a company's annual report includes these types of information as required by Statement 123:

- pro forma footnote disclosure of net income and earnings per share based on the inclusion of an expense for stock options granted annually for the current year and the previous two years;
- a summary table of stock options plans with weighted average exercise prices for options granted and the number of options granted and available for grant under the plans; and
- a description of assumptions used in developing the fair value of options granted.

In addition, the SEC requires extensive disclosures regarding option plans, their dilutive effect and option grants to officers and directors. Indeed, some believe that company reports contain so much information about stock options that it distracts investors from more important aspects of financial reporting and SEC disclosure. However, we maintain that these enhancements to

disclosure, particularly the additional voluntary disclosures are an appropriate response to some investors' concerns. Current disclosures help investors understand what stock options are: *potentially* dilutive instruments that motivate employee effort beyond the ordinary. Current accounting also informs investors that ESOs are not an appropriate, measurable compensation cost to the company. The proposed amendments send the opposite, incorrect message.

<u>Issue 6: Employee Stock Purchase Plans (ESPPs)</u>

We disagree with the view that an employee discount in an Employee Stock Purchase Plan (ESPP) is *per se* compensatory. Statement 123 permits an issuer to provide a 5% discount for employee purchases. This is appropriate because, as a means of raising capital, ESPPs provide companies an alternative to issuing stock on the open market. Providing "all holders of the same class of the shares" an opportunity to purchase share for the same discount would not be an effective means of raising capital because of the transaction costs and regulatory requirements involved in such an offer. The discount, which is not a compensation expense under current accounting, is roughly the equivalent of the transaction cost involved in offering shares to the public.

Therefore, if deeper ESPP discounts are disallowed, despite their obvious merit as tools for motivating and aligning employee interests with shareholders, a 5% discount for ESPP shares should be preserved simply because it places capital raised through ESPPs on a par with capital raised through a wider offering.

We are also concerned that the impact of these amendments could be the elimination of ESPPs, at least at many companies. Employee stock purchase plans were created by Congress to encourage employees to voluntarily become owners of the company where they work. ESPPs represent a proven tool of national economic policy. Therefore, any ESPP that complies with the Internal Revenue Code requirements should not be discouraged by these onerous new accounting requirements. As with ESO expensing, the notion that the accounting, *in theory*, should not affect company behavior is naive, in practice.

II. COMMENTS REGARDING IMPLEMENTATION

<u>Issue 4(d): Fair Value Measurement – Appropriate Recognition of Unique Characteristics of ESOs</u>

<u>The impact of clawback provisions should be included in the valuation of options grants.</u>

Assuming that the FASB requires the proposed compensation charge using the valuation methods described in the ED, it should modify the proposed treatment of "clawback" provisions in options grants. Clawback provisions, as defined in Appendix B, footnote 4, require an employee, under circumstances specified in the grant -- e.g., going to work for a competitor -- to "transfer to the issuing enterprise (former employer) shares granted and earned" under a stock option plan. Thus vested options or exercised options can be forfeited based on the conditions imposed at grant date. This condition clearly reduces the fair value of a stock option at grant

date. However, paragraph B2 of Appendix B precludes including the impact of clawback provisions in the valuation of ESOs at grant date.

Clawbacks are clearly a type of post-vesting forfeiture provision. To preclude an issuer taking them into account in discounting the value of the options at grant is inconsistent with the required treatment of other post-vesting features. "Restrictions that continue in effect after employees have earned the right to benefit from their equity instruments affect the value of the instruments issued at the vesting date and, therefore, are reflected in estimating the instruments' fair value at the grant date." ED, Appendix B, paragraph B2.

Exclusion of the impact of clawback provisions in the valuation of the ESO is also inconsistent with the treatment of other types of forfeitures, e.g., employee departures prior to vesting. Indeed, the impact of clawback provisions is part of the "expected post-vesting employment termination behavior" that is required to be part of the minimum factors required by Paragraph 19 of proposed Statement 123, Appendix A, pp. 19-20. Therefore, the guidance in Appendix B should be modified to say that, in valuing options at grant date, principles of estimating "fair value" require inclusion of clawback provisions, or any similar feature, that affect the value of the instrument issued.

As a general matter, any amendments to Statement 123 that require a charge should recognize the tendency of all available option pricing to overstate the value of ESOs and provide companies with the flexibility to discount the value for any feature that would reduce the theoretical fair value of the ESO.

Issue 9: Graded vesting schedules creating separate awards

ESO grants with graded vesting schedules should be accounted for as single grants of ESOs.

The ED proposes that stock options that are granted to the same employee at the same time be amortized separately if they use a phased vesting schedule. Phased or graded vesting is a useful means for companies to obtain the benefits of ESOs without distorting an employee's behavior with regard to employment. Graded vesting helps avoid the "rest and vest" situation in which employees, who otherwise should leave the company, decide to remain while awaiting an option vesting date. The culture of companies that use employee stock options extensively is not helped by such situations. Therefore, graded vesting was developed to encourage such employees to move on at the appropriate time. Certainly this is best for all parties, including shareholders. Therefore, the proposed amendment will have an impact on a great many companies that have adopted graded vesting schedules for ESOs.

For semiconductor companies such as MCT, the vast majority of which grant stock options to a wide range of employees,[5] the proposed amendments will require the company to value and track

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[5] "SEMI Survey Affirms Broad-Based Employee Participation in Stock Option Plans
U.S.-based Public Semiconductor Equipment Companies Support Full Disclosure of Option Plans; Oppose Stock Option Expensing," (September 17, 2002),
http://dom.semi.org/web/wpress.nsf/0773670e19d30ee288256d5000796f5c/a76c7b7e45dd3c1288256c37005dfd04!OpenDocument.

vastly increased sets of options on an annual basis. For example, if a company grants stock options to 150 employees with a five-year vesting schedule under which 20% of the options "cliff-vest" each year, this would require the company to account for 750 separate grants on the grant date. Similarly, if these options were designed, as many are, to vest on a monthly schedule after the first year, the number of separately-tracked grants rises to 7350 -- 150 in the first year and 7200 over the remaining 48 months.

The administrative burden that this requirement would impose is grossly disproportionate to the relevance of the information and places undue costs on smaller companies such as MCT. Requiring companies to fix a fair value and amortize this number of stock options separately because the options have graded vesting schedules assumes a level of financial statement materiality that no publicly traded company could ever permit stock options to attain. Furthermore, it assumes the ability to measure options' theoretical value with a degree of precision that, as discussed above, simply does not exist. Indeed, in light of the many failings of the ED's proposed valuation requirements, the assumption is absurd.

The need to fair value and amortize stock option grants to this finely granulated level will not benefit investors, but it may well push companies toward less differentiated vesting schedules and away from the exercise of diligence and creativity in developing option plans that work best toward motivating employees. Therefore, should the FASB adopt the ED, it should delete this part of the amendments.

<u>Issue 12: New Disclosures Requirements</u>

The FASB should require less, not more disclosure if it requires a compensation expense for ESOs. The ED suggests that the Board's decision to "frame the disclosure requirements of this proposed Statement in terms of disclosure objectives," ED at *v*, would result in fewer disclosure requirements and greater leeway to provide only the most relevant information. However, a review of the implementation paragraphs shows three-plus pages of requirements followed by a three-page "illustration" of how a company might comply. Appendix B, Paragraphs B191-B193. There is little improvement in simplicity or relevance over current requirements. We believe that a standard with more general disclosure objectives will be more helpful than the new and broader set of prescriptions in the proposed amendments.

Recent voluntary enhancements to disclosure are far more likely to produce best practices in explaining the impact of ESOs than these proposed amendments. While we agree that shareholders may need significant explanation of ESOs and their impact if a charge is required, we believe it would be best to leave it to the companies that grant options to provide those explanations and determine what level of information in footnotes is proportional to the relevance of the issue. Since the illustrative example in Appendix B does not suggest it, companies may well need to provide additional pro forma information on the effect of ESOs on net income and earnings per share. While new SEC rules may make this difficult, it will probably be necessary so that shareholders will have at least the same ability to compare these key numbers with, and without, the charge, as they have under the current Statement 123.

Finally, companies should have the choice to cross-reference to other filings, particularly annual SEC filings, if substantially similar information is available in such publicly available documents regarding nature and terms of stock option plans and their dilutive effect. If no significant change has occurred since the most recent annual filing, quarterly reports should be permitted to refer to the annual filings, which are publicly available through the on-line Edgar system.

Issue 13: Transition

If, despite the fatal valuation flaw in the ED, the FASB pursues these amendments, a lengthy transition period is appropriate. Implementation of the ED should be delayed until such time as field-testing has proven the accuracy of existing option pricing models. The new requirements of the lattice model will entail significant study and work for companies to implement it as accurately as possible. Sarbanes-Oxley certification requirements will need to be addressed to the satisfaction of company executives, audit committees, auditors and corporate counsels.

At least an additional year beyond the proposed effective date is needed to accomplish this level of coordination. In addition, companies will need to carefully reconsider whether the benefits of existing ESO plans outweigh the negative impact the new standard will have on the transparency and relevance of their financial statements and whether alternative means for accomplishing the salutary goals of ESOs can be devised and approved. It is possible that MCT, which has successfully relied on shareholder-approved, broad-based options programs will likely need to get shareholder approval for any alternative means of equity based compensation. Therefore, this standard should be effective for reports on fiscal years beginning after December 15, 2005, at the earliest.

Issue 18: Understandability of the Proposed Statement

As noted, under our comments on valuation, the implementation burden that the standard imposes is grossly out of proportion to the informational value to investors. Understanding the standard entails obtaining a detailed understanding of the valuation models that are required by the standard. Yet there is little basis for applying these models to the purpose of this standard. Therefore, the proposed standard fails to achieve even a minimal level of understandability.

III. CONCLUSION

The ED reflects bad accounting policy. We do not claim that accounting for stock options under the current accounting model is easy, but we believe that current rules do so as effectively as possible. We emphatically oppose the notion that the accounting under current rules has been a root cause of any of the problems ascribed to it. Moreover, it should be emphasized that correcting shortcomings in corporate governance, executive compensation and fraud-prevention are not within the FASB's purview.

MCT believes that FASB's policy toward ESOs should reflect Concept Statement No. 1: "financial reporting should provide information that is useful in making business and economic decisions," ED at *xii*. We believe that these proposed amendments are inconsistent with that purpose. The detailed comments offered in Section II of this letter show the flaws that result

from the basic flaw in the ED – an attempt to shoehorn a new and valuable motivational tool into the inflexible notion that anything received by an employee from a company must be a cost to the company and payment for services to the employee.

The FASB would do more toward its mission, "improving standards of financial accounting and reporting," if it developed a new way of demonstrating the value of ESOs for shareholders before it made any change to the current rules. We fear that both the FASB and financial reporting will suffer if these proposed amendments become accounting standards.

MCT appreciates the opportunity to submit these comments and appreciates any consideration that the FASB would ascribe to them.

Sincerely,

Roger E. Gower

Roger E. Gower
Chairman, President and Chief Executive Officer

cc: Robert Herz, Chairman, FASB

The Honorable William H. Donaldson
Chairman
Securities and Exchange Commission

The Honorable Paul S. Atkins
Commissioner
Securities and Exchange Commission

Donald Nicolaisen
Chief Accountant
Securities and Exchange Commission