



Letter of Comment No: 5504  
File Reference: 1102-100

State of Rhode Island and Providence Plantations  
Office of the General Treasurer  
Room 102 State House  
Providence, RI 02903

Paul J. Tavares  
General Treasurer

June 29, 2004

Director of Major Projects—File Reference 1102-100  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Re: File No. 1102-100

Dear Director:

On behalf of the Rhode Island State Investment Commission (SIC), I write in support of the Financial Accounting Standards Board's (FASB) Exposure Draft, *Share-Based Payment, an Amendment of FASB Statements No. 123 and 95*. The amendment calls for the expensing of all share-based payments, including stock options, awarded to employees.

In the wake of accounting fraud scandals that caused investors to suffer enormous losses, it is critical that the FASB work to ensure that a company's financial statement provide a complete and accurate picture of its financial position. Only through transparent and comprehensive financial reporting will investors be able to view a company's financial condition and make informed decisions.

Stock options for employees can certainly be useful and attractive compensation tools, but there is a cost associated with stock options, which ultimately impacts a company's bottom line. Companies should include these costs as an expense on their income statements and disclose their valuation assumptions. Requiring options to be expensed on audited financial statements will lead to more complete, higher quality information for investors.

The FASB's proposal would also bring greater uniformity to U.S. and international accounting standards, since the International Accounting Standards Board recently issued requirements to expense share-based payments, including employee stock options.

As Treasurer, I have a fiduciary responsibility to protect the state's assets through sound financial investments. Audited financial statements are still the main source of information for decision-makers when considering and monitoring investments. Thus, comprehensive and reliable information is essential in order to protect the members of our state's pension system and their beneficiaries.

I commend the efforts of the FASB as it works to safeguard the integrity and reporting of U.S. accounting standards. The proposed rule will lift the confidence of investors through greater transparency and more relevant information to better evaluate and compare investment choices.

Sincerely,

Paul J. Tavares  
General Treasurer