

Letter of Comment No:5547
File Reference: 1102-100

June 30, 2004

Robert H. Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

File Reference No. 1102-100
Via e-mail director@fasb.org

Dear Chairman Herz:

As Comptroller of the City of New York, I am trustee to four and investment advisor to all five of the New York City pension funds (The "Funds"). The Funds have over \$43.5 billion invested in domestic equities, making them one of the largest institutional investors on the globe.

In making investment decisions the Funds and its advisors, like other investors, rely on the financial information supplied to us by the companies. I wholeheartedly support the Financial Accounting Standards Board's ("FASB") proposal on accounting for equity based compensation (the "proposal") which recommends that the fair value of such compensation be included in companies' statement of net income.

If equity based compensation arrangements are not disclosed in a credible and transparent manner, it is my view that the reported earnings of companies may be substantially distorted. In addition, a number of corporations have voluntarily agreed to expense stock options including Microsoft and Coca-Cola, resulting in higher quality financial reporting. These companies should not be punished for disclosure. Indeed, in the interest of providing comparable financial information to the investing public, it is crucial that all companies be required to expense equity compensation.

I know that historically and to the present, the FASB has been and is subject to a great deal of political pressure on this issue. I urge you to not, in any manner, water down the proposal by limiting the expensing of equity compensation to senior executives or

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exempting companies that generate revenue of less than \$25 million or succumbing to any other pressure from members of Congress and constituencies opposed to the proposal.

Very truly yours,

William C. Thompson, Jr.