Pfizer

Letter of Comment No: 66
File Reference: 1101-001
Date Received: 11/8/02

Corporate Finance Date Re Pfizer Inc. 235 East 42nd Street New York, NY 10017-5755 Tel 212 573 2455 Fax 212-351-1056 Email Alan.Levin@pfizer.com

Alan Levin
Vice President of Finance

November 8, 2002

Financial Accounting Standards Board 410 Merrit 76 P.O. Box 5116 Norwalk, Connecticut 06856-5116

MP&T Director - File Reference 1101-001

FASB Exposure Draft: Accounting for Stock-Based Compensation - Transition and Disclosure - An amendment to FASB Statement No. 123 Accounting for Stock-Based Compensation

Dear Ms. Bielstein:

As a member of the Financial Accounting Standards Advisory Board (FASAC) and as the Vice President of Finance of a company that competes in the global marketplace, I am extremely committed to the success of private standard-setting in the United States and to restoring investor confidence in the marketplace. As part of that commitment, I am pleased to take this opportunity to convey to you my views with respect to the recent exposure draft related to the accounting for stock-based compensation.

The technical arguments against the expensing of stock options are well-documented: the lack of fair valuation models that adequately account for the restrictions inherent in employee stock compensation; the potential magnification of the impact of stock options in EPS calculations under the treasury stock method; and lack of any mechanism to trueup estimates to actual. I believe that the FASB handled these issues in a minimally disruptive manner when SFAS 123, Accounting for Stock-Based Compensation was issued with a disclosure only option. For these reasons, I continue to oppose the mandatory expensing of stock options in financial statements.

With respect to the exposure draft, I have a number of concerns:

By encouraging the public to focus further on the accounting for stock options, the more crucial corporate governance issues concerning stock options are being eclipsed.

The current footnote disclosures currently required under US GAAP make the impact of employee stock options readily transparent. The central public confidence issue concerning stock options is not, I believe, whether the "expense" is shown in a footnote or in the primary financial statements, (although for technical reasons, this is also important), but rather whether companies are fulfilling their fiduciary responsibilities to their shareholders and the investing public in prudently issuing employee stock options as a compensation vehicle. This is a question of corporate governance, not accounting.

By adding fuel to the *accounting* debate, I believe that the FASB could actually undermine an even more important debate - - the *corporate governance* debate. Shareholders, potential investors and analysts should not be diverted from the stock option issues at the heart of the scandals:

- Should stockholder approval be required prior to the adoption of stockbased compensation plans?
- Is executive compensation appropriate or excessive?
- Are the compensation committees sufficiently powerful and independent?
- I am concerned that the exposure draft is a prelude to the FASB's eventually requiring the expensing of stock options for all public companies.

For the reasons already cited above, I do not believe that such an approach would make the financial statements more understandable, more transparent or more "correct."

Accounting is *not* the issue. Further, the current footnote disclosures currently required under US GAAP make the impact of employee stock options readily transparent.

 By permitting up to three methods of adoption, I am concerned that the FASB may be increasing investor confusion.

I am concerned that permitting three implementation choices will only provide more confusion to investors due to lack of consistency amongst companies

As such, I recommend that the FASB mandate option "b." That is, adopting companies should "recognized stock-based employee compensation cost from the beginning of the fiscal year in which the recognition provisions are first applied as if the fair value based accounting method in this Statement had been used to account for all employee awards granted, modified, or settled in fiscal years beginning after December 15, 1994."

I would be happy to discuss my views with your staff.

Very truly yours,

Alan G. Levin

Alan G. Levin Vice President of Finance Attachment

cc: Mr. D.L. Shedlarz, Executive Vice President and Chief Financial Officer Ms. Loretta Cangialosi, Vice President and Controller