

James P. Walsh

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Dear Sirs

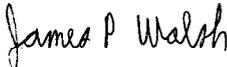
I am writing to express my approval for the current F.A.S.B. proposal to expense all stock options since I think that it is clear that they are a type of compensation expense. I also am appalled at the stupid, greedy, and self serving arguments made by some C.E.O.s that they should be allowed to help themselves to many millions of dollars worth of stock options without counting it as an expense. I think this has become a way for the wealthy corporate leadership to drain the equity out of american corporations and rob the middle class of their retirement savings.

I believe that a major cause of the tech bubble that has caused such financial damage to so many people I know was the fact that these companies were able to claim profits that did not exist in the real world by failing to include the cost of stock options in their compensation costs.

There was no way that I know of for an ordinary investor to know what stock options were being issued or what those options were worth. It is clear that many of the tech companies are much less profitable or not even profitable at all if the cost of options are included in their expenses. I am sure the leadership of some of the tech companies know this and they want to continue to steal from investors using fraudulent accounting practices. I hope that F.A.S.B. will not allow them to rob the rest of us a second time. There are people out there who will never be able to retire as a result of the tech wreck caused at least partly by these corrupt practices.

I hope the Financial Accounting Standards Board will stick to its guns and insist that all stock options be fully expensed in future. The politicians of both parties had better pay attention since helping corporate leaders steal from investors has been a bipartisan activity in Washington in recent years. There are a lot of people like me who are aware of what was done in the past and we will be watching this issue and we vote.

Sincerely



James P. Walsh

Investors Want Earnings to *Reflect Reality*:

A decade ago, the Financial Accounting Standards Board proposed an accounting rule that would have required companies to record the value of employee stock options as a compensation expense on their income statements. But under intense political pressure, FASB rescinded its recommendation.

To its credit, FASB is trying again. Amazingly, even after the devastating losses that investors suffered when companies like Enron and Worldcom obscured their real expenses and liabilities, those who benefit from hiding the true cost of stock options (in lower earnings and diluted shareholder value) are fighting to keep the status quo. Investors can find all they need to know, companies claim, in a once-a-year footnote buried in the back of the annual report.

Expensing stock options shouldn't be optional

Now, lining up to support the new FASB proposal are investors and investment professionals – people who depend on financial reports to help make informed investment decisions. Investors want and need to see a company's complete financial picture, not what it would be if certain expenses or obligations were ignored.

Every investor deserves to see the impact of stock options on earnings, not just those who know where to look.

Experienced professionals know how to dig deep into the footnote disclosures and dredge up this information. And research shows they do use it to reduce reported earnings when valuing companies. But isn't it time we make this information clear and readily available to the average investor, too?

Our viewpoint is founded on five key principles:

1: Investors' information needs come first. This concept is the foundation for fair and ethical financial markets, and a core tenet of the AIMR Code of Ethics and Standards of Professional Conduct.

2: Financial statements exist to help investors make informed investment decisions. Efforts to improve the quality of financial reporting must be considered first and foremost in light of what benefits those who use financial statements, not those who prepare them.

3: Financial statements must be as unbiased and complete as possible. No one should be permitted to manage financial-reporting information to make companies appear more profitable than they really are. Financial statements must faithfully report economic reality. They must not be distorted to more easily attract employees or increase their pay. That is not their function (see principle 2).

4: Expenses belong on the income statement. Stock options are a form of compensation, and compensation is an expense. It's that simple.

Granted, the fair value of stock options must be estimated, based on various assumptions and projections. But financial statements are full of estimates, from anticipated bad debts to depreciation expense to the current value of various assets and liabilities.

5: Politics and financial-reporting standards don't mix. Accounting standards should be set by an independent and objective group of experts, free from political pressure, after careful study and an open comment period in which feedback is invited from all constituents. That is FASB's mandate. Elected officials must overcome the temptation to intervene and set a "politically correct" agenda for an independent standard-setter (see principle 3).

We commend those U.S. companies that already are expensing stock options voluntarily. And beginning January 1, 2005, companies outside the U.S. that use International Accounting Standards will be required to expense stock options. But thousands of U.S. companies have not, and apparently never will, unless compelled. We fully support the FASB in doing just that.

Because telling investors the truth – the whole truth – should never be optional.

Write to FASB and tell them you support mandatory expensing of employee stock options:

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