

I AGREE !!
THAT SOME ONE ABOUT WHAT I'D WANT TO SAY !!

O.J. Kelsey FL

BARRONS

Yes! Yes! Yes!!

Investors Want Earnings to Reflect Reality:

Letter of Comment No: 1675
File Reference: 1102-100

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 But under intense political pressure, FASB rescinded its recommendation.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 fought for 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.

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. **NOT TO MENTION FINANCIAL ESTIMATES!!**

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. **OR BETTER STILL, SEND CIVIL SUIT AS AN !!**
Director of Major Projects
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856 5116
director@fasb.org
ALL OFFICERS & DIRECTORS ARE PROBABLY OVERPAID !!



The Association for Investment Management and Research is a worldwide, nonprofit, professional association of 70,000 securities analysts, fund managers and investment advisors.

CFA's spells trust

THE GLOBAL STANDARD FOR INVESTMENT PROFESSIONALS

Expensing stock options shouldn't be optional

WHAT ARE YOU WANTING ME? JUST DO IT !!

ALL BONUS'S ARE SHOWN AS IN THE FORM OF ADDITIONAL SHARES OF COMMON STOCK WHICH SHOULD BE RELEVANT TO HOLD UNTIL LEAVING THE COMPANY. THIS PUTS THEM ON THE SAME SIDE AS THE INVESTORS/SHAREHOLDERS !! ALL HAVE SAME INTEREST IN COMPANY !!