



LETTER OF COMMENT NO. *1*

Sir:

I support the new effort launched last week for additional disclosure to describe better why and how companies are using derivatives for hedging purposes. I am a career derivatives professional (30+ years) and now work as a financial consultant and advanced derivatives trainer. In addition, I am a CPA and a CFA, so I have a pretty strong sense of what is and what is not adequate disclosure.

Let me give a recent example:

This weekend I had been asked by a client to try to help them understand just exactly how Liberty Media has used equity derivatives to hedge its positions in or to facilitate its acquisitions of certain equity investments. I spent about 12 hours pouring through their financial statements and various SEC filings for 2003, 2004, and 2005 and, at the end of this time (late Sunday night), I had to give up. The disclosure was too opaque and imprecise. There was no mapping of how derivatives transactions – variously described as forward sales of equity, equity collars, etc. – mapped to the company's cash equity investments. Not only was it impossible to piece the history of the complicated series of transactions over those several years, but also it was impossible to understand as of the latest reporting date just exactly what was hedged and what was not. Such confusing presentation was due to either deliberate attempts to prevent analysts from piercing the "veil" or to completely inept reporting. I do not think that either cause should be accepted as an excuse for this type of grossly insufficient disclosure.

Regards,

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Executive Managing Director  
Global Markets Consultants, Ltd.



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