

Letter of Comment No: 54  
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October 5, 2001

Mr. Timothy S. Lucas  
Director of Research  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856-5116

Dear Mr. Lucas,

I would like to express its strong support of FASB's proposed New Agenda Project on Disclosure of Information on Intangible Assets Not Recognized in Financial Statements.

The Loring, Wolcott & Coolidge Office is a Boston-based professional family office which manages over one billion dollars of assets using socially responsible criteria. Most investors who wish to integrate social and ethical criteria into the investment decision-making process do so by purchasing stock and bonds of corporations, which meet a broad range of social criteria. These criteria encompass both the historic avoidance of alcohol, tobacco, gambling, nuclear power and military weaponry, and the newer positive criteria of environment, employee relations, diversity and corporate citizenship. We offer clients investment in companies, which seek to define what corporate accountability ought to be.

I would like to provide comments on the four questions posed in FASB's Request for Comments.

- 1. Is there a need for the FASB or others to comprehensively address the reporting of information about intangibles of a business enterprise? If yes, should the FASB take on such an effort or defer to others? If so, to whom?**

There is an immediate and critical need for the accounting profession to comprehensively address the reporting of information about intangibles.

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Historically, traditional measures like price/earnings ratios were primary drivers of a business entity's value. There have been recent fundamental changes in our economy, however, that have introduced intangibles related to Corporate Responsibility. These intangibles have added issues of Corporate Citizenship, Diversity, Employee Relations, Preservation of the Environment, Safe and Useful Products and Non-U.S. Relations, Customer Satisfaction, Market Size and Share and other such topics to those traditional measures of value.

These intangibles may be distinguishing characteristics in the evaluation of a business entity's value.

In order to ensure the proper disclosure of such intangibles in financial statements, it is incumbent upon FASB to pursue this project on disclosure related to the overall value of a business entity. Failing to do so would be a failure to carry out its mission "...to establish and improve standards of financial accounting and reporting for the guidance and education of the public, including issuers, auditors, and users of financial information."

- 2. Is the proposed scope of such a project as described in this Proposal insufficient, appropriate or too ambitious? One alternative would be a broader scope that might encompass other constituent recommendations, for example (a) disclosure about nonfinancial indicators, management's key goals for them, and related risks, strategies, efforts, and accomplishments in meeting its goals or (b) recognition and measurement of certain internally generated intangible assets. Another alternative would be a limited-scope project that focuses solely on, for example, disclosure of expenditures to develop and maintain unrecognized intangible assets or on disclosure of information about research and development activities.**

The project's emphasis on the disclosure of unrecognized intangible assets is appropriate as a starting point. Ideally, we would also like to see FASB address the topics related to the broader scope identified in (a) above.

- 3. Should specific issues identified above be excluded from the scope of the proposed project on reporting information about intangibles? If yes, for each specific issue, please indicate whether it should be addressed as part of another FASB project, by others, or not at all and why.**

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The Loring, Wolcott & Coolidge Office believes that the disclosure of qualitative issues included in the scope of the project is critical. We understand that the valuation of such intangibles is ambitious and not part of this project. We would encourage FASB to pursue the matter of such valuation in future projects.

- 4. Should specific issues not identified above be addressed as part of the proposed project on reporting information about intangibles? If yes, please describe the specific issue and indicate why it is sufficiently crucial that it should be addressed as part of the proposed project.**

The FASB proposal reported that the Business Steering Committee and others suggest voluntary disclosure. As you have addressed under "Other Issues," FASB 119, Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments initially only "encouraged" disclosure of quantitative information about market risks of derivative instruments. Until mandated by the SEC in 1997, however, few entities voluntarily disclosed such information. Such disclosures about intangible assets, which are critical drivers in the value of a business entity in this new economy, should be required.

If you would like to discuss this matter further, please feel free to contact my office at (617) 523-6531.

Sincerely yours,

Amy L. Domini