ikon

Letter of Comment No: 3194 File Reference: 1102-100

From:

Stacey Sutay

Sent:

Wednesday, June 09, 2004 9:41 AM

To:

ikon; Karen Salmansohn

Subject: FW: Options letter to Club For Growth

-----Original Message-----

From: Christopher Waldorf [mailto:cwaldorf@msn.com]

Sent: Wednesday, June 09, 2004 7:29 AM

To: Robert Herz

Cc: Jane Adams; rebecca.mcenally

Subject: Options letter to Club For Growth

In case you are interested, attached is a letter I sent recently to an influential organization regarding stock options. Please let me know if for any reason I should send you a hard copy.

Best regards,

Chris Waldorf

June 6, 2004 Mr. Stephen Moore President The Club For Growth 1776 K Street NW, Suite 300 Washington, DC 20006

Re: Proposed stock option legislation

Dear Mr. Moore:

I am writing you because I am deeply concerned about a bill that is now in the House of Representatives. I am referring to the "Broad-Based Stock Option Plan Transparency Act." The bill deals with the issue of whether or not stock options should be treated as an expense. While to most Americans this may seem like an innocuous issue, I sincerely believe implications are tremendous for our country.

If this bill gets passed into law, Congress will effectively take power away from one of the most respected institutions in this nation, the Financial Accounting Standards Board (FASB). The organization has many bright, conscientious, independent experts in finance and accounting. Furthermore, in making decisions, it goes through a very rigorous and thorough process.

The FASB has decided that stock options should be shown as an expense on income statements. Yet, certain members of Congress believe that they now know accounting better than the FASB does and that they are going to try to seriously undermine the FASB. At what point does federal power become arbitrary? To me, this bill crosses way over the line. This is tremendously scary.

Other Voices

While the key point of this letter is that the FASB should be respected as a vital institution, there are many important, independent figures and institutions who say that showing stock options as an expense is the right thing to do. Among them:

- International Accounting Standards Board (IASB). This is the worldwide counterpart to the FASB. (They have an official standard where options are required to be shown as an expense.)
- CFA Institute (premier organization of portfolio managers and stock analysts in the world)
- Council of Institutional Investors

- Warren Buffett, Paul Volker, Alan Greenspan
- Five hundred U.S. companies

In contrast, the people who want to hide options as an expense and have pushed members of Congress to get involved by using scare tactics are primarily a handful of self-interested executives in Silicon Valley.

That certain members of Congress might actually usurp power from the FASB, and also implicitly overrule these other highly-respected organizations and experts makes the proposed bill all the more ridiculous. This would be a terrible precedence for federal absolutism. If this country is going to prosper going forward, our institutions have to be respected.

Please do your best to persuade Congress not to support this pernicious bill and not to meddle so the FASB can do its proper job. This is a critical test of principles.

Thank you very much for your time and consideration and for your excellent efforts.

Sincerely,

Chris Waldorf

p.s. If it makes any difference, I can send you good reasons why trying to hide the options expense and weakening the credibility of U.S. companies' financials statements is so damaging to the long term health of this country.