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October 10, 2001

Mr. Timothy S. Lucas Director Research and Technical Activities Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Dear Mr. Lucas:

The Business Roundtable's Corporate Governance Task Force appreciates the opportunity to address the FASB's recent proposals, Reporting Information About the Financial Performance of Business Enterprises: Focusing on the Form and Content of Financial Statements and Disclosure of Information About Intangible Assets Not Recognized in Financial Statements. The Business Roundtable is an association of chief executive officers of leading corporations with a combined workforce of more than 10 million employees in the United States. The chief executives are committed to advocating public policies that foster vigorous economic growth; a dynamic global economy; and a well-trained and productive U.S. workforce essential for future competitiveness. The Corporate Governance Task Force focuses on issues related to corporate governance and responsibilities, including accounting and disclosure standards.

We have reviewed the two proposals and offer the following general suggestions to help produce a more timely and beneficial result for investors. First, we believe investors would be better served with a more targeted approach to these issues that addresses most urgent needs and could be completed in a shorter time frame. In the interim, analysis on longer-term issues could evolve among standard setters, regulators and investors. Second, the FASB and the Securities & Exchange Commission (SEC) should divide responsibility for distinct aspects of the proposals based upon their organizational missions. The FASB should focus on information within the financial statements, while the SEC should focus on evaluating the need for disclosure guidance in public filings outside the financial statements. Third, these standards should give companies sufficient discretion to provide the most useful information to investors because each company and industry is unique and investors' needs change over time.

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Regarding the reporting financial performance proposal, we believe a more limited scope project than the proposed "minimum approach" is appropriate. We do not believe companies should be required to provide certain line items, subtotals and totals in the financial statements, because this information might not be relevant to a particular industry, company or its investors. Rigid requirements would expand the usage of non-GAAP pro-forma financial reporting. As an alternative, we suggest the FASB define line items, subtotals and totals that are commonly used in financial statements. These definitions would help investors better understand information in the financial statements and the financial measures used in disclosures outside the financial statements that are based on financial statement data. In addition, we recommend the SEC provide guidance concerning the description of financial performance metrics and reconciliations between GAAP and non-GAAP financial performance measures in public filings. Since many companies are presenting both pro-forma and GAAP earnings, there should be disclosure guidelines to assist investors in their assessment of financial performance. We believe the SEC rather than the FASB bears responsibility for developing such guidelines because pro-forma financial results are reported outside the financial statements.

Regarding the intangibles disclosure proposal, we believe the project should entail the SEC evaluating the merits of qualitative disclosure requirements outside the financial statements in public filings. We suggest that any disclosure requirements give companies sufficient flexibility to describe general categories of intangible assets and how they maintain them. Companies should not be constrained to reporting on solely those intangibles that would be recognized if acquired because it would exclude intangibles that have been developed internally. We do not support quantitative disclosure requirements because it would require substantial resources to capture and value intangible assets that would not be useful to investors and could cause competitive harm. Companies would have to make numerous subjective assumptions to generate values that might be unreliable and irrelevant as market conditions change. Furthermore, these values might give competitors insight into a company's business strategies and execution.

The Business Roundtable's Corporate Governance Task Force appreciates the opportunity to comment on these proposals and is willing to provide further thoughts as these issues evolve.

Sincerely.

Franklin D. Raines Chairman and CEO Fannie Mae

Chairman

Corporate Governance Task Force The Business Roundtable