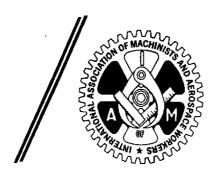
International Association of Machinists and Aerospace Workers



9000 Machinists Place Upper Marlboro, Maryland 20772-2687

Area Code 301 967-4500



OFFICE OF THE INTERNATIONAL PRESIDENT

GL2 - Strategic Resources

July 9, 2004

Subj: File No.1102-100

Director of Major Projects
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Letter of Comment No: 6500 File Reference: 1102-100

## Dear Director:

On behalf of the 750,000-member International Association of Machinists and Aerospace Workers, AFL-CIO, I welcome this opportunity to offer supporting comments on the Financial Accounting Standards Board's (FASB) proposal to require mandatory expensing of stock options — File No. 1102-100. I wish to express my support for the proposal to require stock option expensing and I urge the FASB to remain firm in the face of increasing pressure from powerful groups that oppose the proposal.

Audited financial statements are the primary source of financial information available to investors for determining the financial condition of a company. The notion of an accurate disclosure of financial figures contained in a company's financial statements has been tarnished as a result of corporate scandals at companies like Enron, Tyco, and WorldCom. To restore investor confidence, it is necessary to have financial reporting standards acutely focused on providing the most relevant, comprehensive and honest information about a company's financial condition. Requiring the expensing of stock options on the income statement will have a positive impact in restoring the credibility of financial statements by disclosing their true costs to investors.

In addition, the stock option accounting loophole has resulted in an excess of stock options in CEO pay at the expense of other forms of equity compensation that could better align the interests of executives and shareholders. Under the current accounting rules, performance-based stock options and performance-vesting restricted stock is required to be expensed.

However, fixed-price stock options are not required to be expensed, giving this form of compensation preferential treatment. One reason that CEOs are overly compensated in fixed-price options may be because the expense to the company of these options is not clear under the current accounting rules and, therefore, they are open to overuse when setting CEO pay. Clearing up this ambiguity, the proposed rule recognizes the fair value of the fixed-price stock option as an expense.

I thank you for this opportunity to offer my strong support for this rule.

Very truly yours,

R. Thomas Buffenbarger

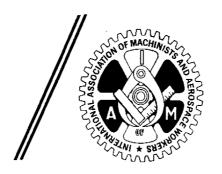
INTERNATIONAL PRESIDENT

RTB/tc

cc: GVP, Thayer

Dir., Sleigh

Res. Econ., White Comm. Rep., Larkin International Association of Machinists and Aerospace Workers



9000 Machinists Place Upper Marlboro, Maryland 20772-2687

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OFFICE OF THE GENERAL SECRETARY-TREASURER

GL2 - Strategic Resources

July 9, 2004

Subj: File No.1102-100

Director of Major Projects
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Dear Director:

As the General Secretary-Treasurer of the 750,000-member International Association of Machinists and Aerospace Workers (IAM), AFL-CIO and Trustee of the IAM National Pension Fund, I welcome this opportunity to offer supporting comments on the Financial Accounting Standards Board's (FASB) proposal to require mandatory expensing of stock options – File No. 1102-100. I wish to express my support for the proposal to require stock option expensing and I urge the FASB to remain firm in the face of increasing pressure from powerful groups that oppose the proposal.

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options and performance-vesting restricted stock is required to be expensed. However, fixed-price stock options are not required to be expensed, giving this form of compensation preferential treatment. One reason that CEOs are overly compensated in fixed-price options may be because the expense to the company of these options is not clear under the current accounting rules and, therefore, they are open to overuse when setting CEO pay. Clearing up this ambiguity, the proposed rule recognizes the fair value of the fixed-price stock option as an expense.

I thank you for this opportunity to offer my strong support for this rule.

Very truly yours,

Wanus L. Mart

Warren L. Mart

GENERAL SECRETARY-TREASURER

AND TRUSTEE

## WLM/tc

cc: GVP, Thayer

Dir., Sleigh

Res. Econ., White Comm. Rep., Larkin