

March 17, 2004

The Honorable Michael Enzi
Chairman, Subcommittee on Securities and Investment
U.S. Senate
Washington, DC 20510

The Honorable Chris Dodd
Ranking Member, Subcommittee on Securities and Investment
U.S. Senate
Washington, DC 20510

Dear Senators Enzi and Dodd,

Investors and the capital markets rely on transparent financial reporting and an independent accounting standards-setting process. As we have previously stated in other contexts, we urge Congress to preserve the independence of the Financial Accounting Standards Board (FASB) and to avoid legislation that would have the effect of restricting the FASB's ability to establish accounting standards.

Further, we reaffirm our support, already expressed to the FASB, for the mandatory expensing of all employee stock options, whose fair value would be determined in a manner suitable for the reporting company.

The FASB's independence -- and Congress's history of not imposing its judgment onto the FASB's standards -- has played a central role in the successful evolution of our capital markets. The FASB's standard-setting process is driven by investors' need for reliable financial information to make informed investment decisions. Its independence provides an essential barrier of protection against undue pressure or influence from a particular segment of the capital markets or other self-interested parties.

The FASB has a long record of successful consultation with parties expert in financial reporting, resulting in the development of unbiased standards. The FASB's mandated due process procedures include seeking the perspectives and comments from all participants in the capital markets -- individual investors, institutional investors, the Securities and Exchange Commission, the boards of directors and management of companies required to implement FASB standards, and our profession, among others.

Under the auspices of the FASB's due process, these individuals and groups have spent years deliberating the appropriate treatment of a wide array of complex accounting issues. Interfering with the FASB's processes and judgments could unintentionally relegate the interests of investors to a subordinate role, and result in accounting that fails to convey economic substance.

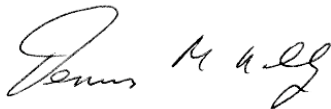
We continue to support the view that the fair value of all employee stock options should be reported as compensation expense. Each of the undersigned firms has provided and will continue to provide our detailed comments to the FASB for its consideration.

We believe it is important for the FASB to address concerns that exist regarding the reliability of the valuation models used to determine the fair values of stock options. The FASB's final standard should be consistent with the broad objective of providing investors comparable fair value information among different companies for similar transactions.

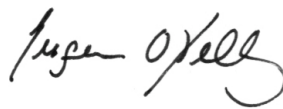
Investors expect and deserve accounting standards that promote transparency and meaningful financial reporting, and an independent standard-setting process best satisfies their needs.

As we have done in the past on similar matters, we urge Congress to continue to recognize the critical contribution of an independent FASB to the effective operation of the capital markets.


Sincerely,



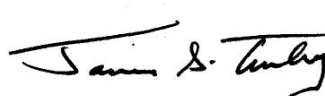
Dennis M. Nally
Chairman and Senior Partner
PricewaterhouseCoopers LLP



Eugene O'Kelly
Chairman and Chief Executive Officer
KPMG LLP



James H. Quigley
Chief Executive Officer
Deloitte & Touche USA LLP



James S. Turley
Global Chairman and CEO
Ernst & Young

cc: Representative Michael G. Oxley, Chairman, House Committee on Financial Services
Representative Barney Frank, Ranking Member, House Committee on Financial Services
Representative Richard H. Baker, Chairman, Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises
Representative Paul E. Kanjorski, Ranking Member, Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises

Senator Richard C. Shelby, Chairman, Senate Banking, Housing, and Urban Affairs
Senator Paul S. Sarbanes, Ranking Member, Senate Banking, Housing, and Urban Affairs
Robert H. Herz, Chairman of the Financial Accounting Standards Board
Richard J. Swift, Chairman of the Financial Accounting Standards Advisory Council
William H. Donaldson, Chairman of the Securities and Exchange Commission
Donald T. Nicolaisen, Chief Accountant, Office of the Chief Accountant, Securities and Exchange Commission
William McDonough, Chairman and CEO of the Public Company Accounting Oversight Board
S. Scott Voynich, Chairman, American Institute of Certified Public Accountants