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via U.S. Mail and email to
director@fasb.org

Letter of Comment No: 4390
File Reference: 1102-100

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

File Reference No. 1102-100

Dear Ms. Bielstein:

I write today in response to your Proposed Statement of Financial Accounting Standards, "Share-Based Payment."

Nearly two years ago, on behalf of The Corporate Library, LLC, an independent investment research firm providing corporate governance data, analysis and risk assessment tools, in collaboration with CalPERS, I undertook an opinion survey regarding the expensing of stock options. I have attached the results, which show overwhelming (more than 80%) support for expensing options cost among all respondents, including individual and institutional investors. I suspect that since that time support has only increased.

At Lens Governance Advisors, P.A., and Lens Investment Management, LLC, I have been engaged in issues of shareholder activism and corporate governance for many years. The improper accounting of options in the financial statements has challenged the integrity of corporate accounts and misled investors. The overuse of stock options as a means of compensation has failed to align the interests of managers with those of owners. In fact, there is little doubt that in significant cases the awarding of options has contributed to massive frauds perpetrated to create a stock price divergent from underlying share value.

I was outraged to see the House Financial Services Committee pass overwhelmingly HR 3574, the Baker Stock Option bill. This measure is a repugnant interference by the Congress in the furtherance of corporate transparency and honest bookkeeping. I trust you will turn a blind eye to such self-serving meddling.

I am hopeful that your new Standard will improve the integrity of U.S. financial statements and conform American financial reports to international best practices. The House Committee expresses a worry that FASB's plans will "eviscerate" the use of stock option plans. The reply is simple: if stock option plans cannot withstand the scrutiny of daylight and the rigor of honest accounting, then the weakness is not the fault of proper reporting but rather of its lack.

Please count me ardently in support of your Proposed Standard on Share-Based Payment.

Sincerely yours,

Richard A. Bennett

Attachment

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Administrative & Research Offices
45 Exchange Street | Portland, ME 04101
http://www.thecorporatelibrary.com/

Survey on Stock Option Expensing: Summary of Results

October 31, 2002

During August and September, 2002, in collaboration with CalPERS, The Corporate Library (TCL) undertook an opinion survey regarding the expensing of stock options, a question currently subject to considerable policy debate. The purpose of the survey was to shed light on whether the expensing of stock options is understandable to and desired by the investing public.

The survey instrument was available on-line at TCL's website. Two mechanisms for participating in the survey were used to achieve a total participation of 632 respondents: 1) a "pull" system encouraging participation sent by email to nearly 2,000 addresses of individuals who were either subscribers to TCL's News Briefs (a free weekly email publication on corporate trends and issues) or representatives of institutional investors who were specifically given invitations to participate in the survey; and 2) a "push" system involving a "pop-up" notice to visitors to the TCL website.

The survey consisted of three questions that required approximately 2 minutes per respondent, including reading time. A preamble first introduced the topic of expensing of options and the debate. The first question asked: "Do you feel that a change in accounting rules requiring companies to expense the cost of stock options would confuse investors?" The second question asked: "Do you favor expensing stock options, or the status quo – continuing to allow companies to choose which alternative?" The final question asked respondents to identify themselves as one of the following: academic, institutional investors, individual investor, journalist, or other.

Survey respondents display a decided opinion that options expensing would not confuse investors (16% "yes" to 79% "no") and conclude overwhelmingly that options expensing should be mandatory (80% "expense" to 16% "status quo"). The results are confirmed across all self-identified respondent groups. Institutional investor respondents show a stronger preference for mandatory options expensing in income statements (86% to 8%) and a marginally weaker opinion that this would confuse investors (20% to 75%).

The survey form appears on Attachment 1. The tabulation of results is Attachment 2.

- Richard A. Bennett

Attachment 1:

Survey Presentation and Form with Top-line Results

Statement:
Under Generally Accepted Accounting Principles (GAAP), the cost of stock options is not required to be expensed. Rather, companies have two alternatives: 1) they can choose to expense options in the income statement; or 2) they do not expense them but instead can choose to provide footnote disclosure of the fair value of options and not expense them in the income statement. Nearly all companies in the U.S. choose the second alternative.

Accounting for stock options is once again a hotly debated topic in the U.S. as well as internationally. Among the many issues debated, those who oppose expensing stock options have stated that it would confuse investors. We have developed this short survey to address this question.

Please take a minute to help us by providing your view on the following three questions:

Question:
Do you feel that a change in accounting rules requiring companies to expense the cost of stock options would confuse investors?

YES 16.3% **NO** 79.0% **UNDECIDED** 4.7%

Question:
Do you favor expensing stock options, or the status quo – continuing to allow companies to choose which alternative?

EXPENSE 80.4% **STATUS QUO** 16.5% **NO OPINION** 3.2%

Question:
Which of the following best describes you? (Check one.)

Academic	14.6%
Institutional investor	9.3%
Individual investor	45.9%
Journalist	4.4%
Other (please specify)	25.8%

Attachment 2

Survey Results
Options Expensing

Absolute Numbers

		Question 1			Question 2		
		Yes	No	Undecided	Status Quo	Expense	No Opinion
Institutional Investors	59	12	44	3	5	51	3
Individual Investors	290	48	233	9	51	234	5
Academics	92	16	71	5	21	69	2
Journalists	28	2	23	3	3	23	2
Others	163	25	128	10	24	131	8
Total Investors	349	60	277	12	56	285	8
Total	632	103	499	30	104	508	20

Percentages

		Question 1			Question 2		
		Yes	No	Undecided	Status Quo	Expense	No Opinion
Institutional Investors	9.3%	20.3%	74.6%	5.1%	8.5%	86.4%	5.1%
Individual Investors	45.9%	16.6%	80.3%	3.1%	17.6%	80.7%	1.7%
Academics	14.6%	17.4%	77.2%	5.4%	22.8%	75.0%	2.2%
Journalists	4.4%	7.1%	82.1%	10.7%	10.7%	82.1%	7.1%
Others	25.8%	15.3%	78.5%	6.1%	14.7%	80.4%	4.9%
Total Investors	55.2%	17.2%	79.4%	3.4%	16.0%	81.7%	2.3%
Total	100.0%	16.3%	79.0%	4.7%	16.5%	80.4%	3.2%

Dates of survey: August-September 2002