CITIZENS FUNDS

Letter of Comment No: 2271

File Reference: 1102-100

May 7, 2004

Chairman Robert H. Herz Financial Accounting Standards Board 401 Merritt 7, P.O. Box 5116 Norwalk, CT 06856-5166

RE: File Reference No. 1102-100

Dear Chairman Herz:

I am writing on behalf of Citizens Funds, a family of socially responsible mutual funds with over 60,000 shareholder accounts to comment on the Financial Accounting Standards Board's March 31, 2004 exposure draft on Share-Based Payment: an amendment of FASB Statements No. 123 and 95 (File Number 1102-100).

Share based payment is a very contentious issue and we support the Board's efforts to help improve corporate transparency and reporting on activities that most certainly can affect shareholder value. We agree with the Board's assessment that "equity instruments give rise to recognizable compensation cost" and believe that cost should be reported in a company's financial statement.

The currently used disclosures on financial statements are insufficiently prominent and thus are often overlooked, giving investors an incomplete picture of a company's liabilities. This absence of cost data is why financial statements are distorted.

Without question a company's ability to attract and retain talent is critically important in this globally competitive environment. In many cases stock options may be a requisite incentive where employees view stock options as part of their overall salary. As investors, we want, and deserve, a better accounting of the costs tied to all elements of employee compensation.

Since March 2003, when the Board added this effort to the review list, over 450 publicly traded companies have adopted or stated their intention to adopt the fair value based accounting method outlined in Statement 123. As of February 2004 113 of these companies, or 23%, are represented on the S&P 500 index, up 15% from 98 companies in March 2003.

One issue is what valuation model is best able to determine fair value of employee share options. We would encourage the Board to require a valuation method that offers the flexibility needed to capture the "unique characteristics of employee share options," but that is sufficiently standardized that it will allow investors the ability to know that each plan is presented in a comparable manner.

Investors are looking to the Board to bring fairness and closure to the long debated topic of expensing employee stock options.

Citizens Funds appreciates the opportunity to comment on this important issue. Please contact Joanne Dowdell, our director of corporate responsibility, at (603) 436-1513, or me if you care to discuss this further.

Sincerely,

Sophia Collier.

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President