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January 31, 2003

MP&T Director - File Reference 1102-001 Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

Via e-mail: director@fasb.org (File Reference No. 1102-001)

I wrote a letter (dated August 26, 2002) to the Chairman and Chief Executive Officer of NASDAQ (copy to the Chairman of the Securities and Exchange Commission) outlining my views on a number of matters, including expensing stock options. I subsequently received an acknowledgement from the CEO of NASDAQ, but never heard from the SEC.

I am the CEO of a publicly owned corporation (Independent Bank Corp., NASDAQ: INDB) which is the sole owner of a small (\$2.3 billion) community-oriented commercial bank (Rockland Trust Company) doing business in southeastern Massachusetts. I have announced my retirement effective as of June 30, 2003, a fact that I mention because I have nothing to gain or lose regardless of whatever action the Financial and Accounting Standards Board (FASB) chooses to take regarding the matter of accounting for stock options. However, as a citizen. I am concerned that merely requiring that stock options be expensed will have unintended consequences that confuse investors and stifle innovation.

Expensing stock options for INDB is hardly an earth-shattering event; the impact is estimated (using Black-Scholes) to be approximately 2% of net income, assuming this had been done in 2002. However, our Company is reluctant to expense stock options without additional guidance from the FASB due to inherent weaknesses in the valuation methods.

As you are aware, there are four variables to be considered when using the Black-Scholes method of valuing options, including 1) risk-free interest rate, 2) expected dividend yield, 3) volatility of stock price, and 4) timing of exercise. The last two variables require that management exercise considerable judgement.

Volatility of common stock price can be caused by many factors. Moreover, historical volatility is not an accurate predictor of the future. The volatility assumption employed can have a significant impact on the "cost" of a stock option.

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Likewise, the assumption used regarding the timing of the exercise of an option grant has enormous impact on the "cost" of a stock option. The shorter the period to exercise, the less the expense. Past experience regarding the timing of exercise by option participants is useless in predicting when a new option will be exercised. For example, one of the primary drivers that influence the timing of an exercise of so-called incentive stock options (ISO's) is minimizing alternative minimum tax (AMT). Knowledgeable option recipients tend to time their exercises over a ten-year period in such a manner as to minimize AMT on the so-called "bargain element" (other factors permitting). Since NQO's are subject to regular tax rather than AMT, the timing of NOO exercises is dependent on a host of other factors.

The "real" value of an option can vary considerably during the period between grant and exercise. It is unlikely that a model can be developed to accurately reflect "real" value, and models which alter the value of an option over its life introduce yet another variable into financial reporting that will contribute to confusion among investors.

The determination of the value of a stock option should also deal with the prospect of a decline in stock price subsequent to the grant of an option. Current accounting requires continued amortization of expense, a distortion of economic reality.

In my opinion, grants of stock options to many executives of public companies long ago reached obscene levels. Expensing stock options would make this obvious. However, it seems to me that the balanced approach is to at least find a means to make options available to start-ups without the requirement to expense them. Otherwise, a cash-starved start-up has no way to attract employees. I doubt that I would be writing you this letter on a Dell PC using Microsoft Word if expense-free options were not available several years ago. On the other hand, I suspect... these tools would still be available if these two companies had been expensing options commencing a few years after they had been founded.

Irregardless of whether the decision is to expense stock options or continue with a disclosure approach, it is important that procedures regarding accounting for options be uniform and mandatory.

Thank you for taking the time to consider the foregoing comments.

Sincerely,

Douglas H. Philipsen Chairman and Chief Executive Officer