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

Re: File Reference 1101-001  
Proposed Statement of Financial Accounting Standards  
Accounting for Stock-Based Compensation – Transition and Disclosure,  
an amendment of FASB Statement No. 123

We believe that stock options are a form of compensation and that an appropriate amount of expense should be recorded in the financial statements. We are commenting on the proposed statement because we believe it is essential to achieve comparability and consistency in the accounting for such an important item. To help achieve this objective, we believe the FASB should:

- (a) Require adoption of SFAS 123 by all companies.
- (b) Require adoption of a single transition method that would result in comparability for all periods presented. That is, require restatement of all periods presented in accordance with option c. of the proposed amendment to paragraph 52 of SFAS No. 123 for all companies, including those that previously adopted.
- (c) Require that stock compensation be measured using a single valuation method such as the Black-Scholes model, rather than choosing from multiple models. We believe consideration should be given to developing a new option pricing model that has broad appeal and overcomes the weaknesses of and objections to currently used pricing models.

The issue of accounting for stock-based compensation is important, since it involves potentially large charges to income and therefore, in our view, achieving comparability in the basic financial statements is paramount.

We understand that when Statement 123 was issued, since historical data was not readily available, the "prospective" method of adoption was prescribed. Lack of historical data is no longer an issue. We believe there is an opportunity to change the previous decision and go forward with more meaningful accounting. We believe that all companies should be required to adopt Statement 123, with restatement required for all periods presented, including companies that have previously adopted the statement.

Investors and other users make decisions based upon their evaluation of the financial statements. This is an analysis of value both individually and comparatively with other companies. This comparative analysis is already difficult and requiring investors to extract data they need from a footnote adds to the complexity. As the Board acknowledges in the exposure draft and as stated in FASB Concepts Statement No. 5, disclosure is not a substitute for recognition. No one would expect to see the effects of other major charges mentioned only in a footnote.

We believe the FASB should narrow the variability in the measurement of compensation expense by prescribing a single method, such as the Black-Scholes model, or develop a new model that overcomes some of the objections to existing models. There is significant variability already inherent in the Black-Scholes model because of the assumptions that must be made. Allowing the use of other models compounds the variability. Disclosures of the assumptions should be required in the same manner as for pension expense, the measurement of which employs a single model based on explicit assumptions.

Another aspect of accounting for stock-based compensation that we believe should be considered is that since it is compensation and is measured and recorded in such a theoretical manner, there should be a mechanism to "true up" the recorded compensation to the actual compensation realized. The amount of expense recorded under Statement 123 may bear no reasonable relationship to the actual compensation earned. The true-up adjustments could be based on some form of mark-to-market approach or other method that would mitigate the volatile effect of using a single point in time approach, i.e., when options are exercised.

We appreciate the opportunity to comment on this exposure draft and would be pleased to expand on our comments if requested.

Sincerely,



G. Peter D'Aloia