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June 22, 2004

Letter of Comment No: 5436  
File Reference: 1102-100

Ms. Suzanne Bielstein  
MP&T Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  
VIA EMAIL: [director@fasb.org](mailto:director@fasb.org)

*Re: – File Reference 1102-100*

*Exposure Draft: Proposed Statement of Financial Accounting Standards, Share-Based Payment, an Amendment of FASB Statements No. 123 and 95*

Dear Ms. Bielstein:

Keane, Inc. (“Keane”) appreciates the opportunity to provide our views on the Exposure Draft “Share-Based Payment”. Like many companies, Keane currently uses stock option plans to attract, motivate, retain and reward our talented employees. We believe our employees are key to the growth and success of Keane and we currently employ more than 7,000 people worldwide. We also believe that offering employees at many levels throughout the organization equity ownership allows employees to share in the financial success of Keane. However, we are concerned the FASB proposal will result in significant non-cash expenses being recognized according to an unreliable measure of fair value, thus distorting earnings and discouraging companies from rewarding their employees with equity-based awards. In addition, since the option pricing models are highly complex and the inputs are subject to extensive judgment, we believe there will be inconsistent application among companies and among reporting periods, resulting in incomparable and inconsistent financial information.

#### Recognition of Compensation Cost

Stock options allow employees to become potential owners and to personally share in the financial success of the Company, which they help create. Therefore, the stock awards align the interests of the shareholders with those of the employees. However, we do not believe the grant of an employee stock option results in the incurrence of a liability or the use of an asset and therefore, should not be recognized as an expense in the income statement. We believe the cost of employee stock options is the impact of the potential dilution of shares on the existing shareholders. This impact is already reflected in the diluted earnings per share calculation, therefore, mandatory expensing would increase the dilutive effect on earnings per share.

The proposed rules also require companies to incur an expense for stock options that may never be exercised whether they are cancelled or expired. Under this scenario, the stock options were worthless to the recipient, however, the company would still have to recognize expense. If required to record compensation expense, we would suggest the FASB investigate alternatives to incorporate the reversal of expense in these instances.

If the goal is to provide the investor with relevant and comparable information as to the impact or cost of the stock options on the company's financials, we recommend expanded stock option disclosures to be included in quarterly filings, such as employee and executive grants as well as year-over-year option activity.

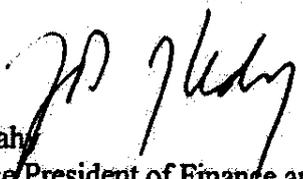
#### Fair Value Measurement

If required to record compensation expense, we do not believe the existing option pricing models are adequate to measure fair value because they are designed to value traded options, which are significantly different than non-traded employee stock options. Existing option pricing models do not properly take into consideration the impact of "black-out" restrictions on trading, the non-transferability or forfeitures applicable to an employee stock option. The FASB proposed solution to use the expected life of the option versus the contractual life does not adequately take all of these illiquid features into consideration. Regardless, the subjective judgment required to estimate the assumptions used in the complex models perpetuates inconsistent and unreliable information, which contradicts the Board's objective of increased relevance and comparability. Because of these significant estimates about future expectations, the models are not objective or verifiable.

We note the Board's preference for the binomial lattice model over the Black-Scholes model is due to the greater flexibility. However, greater flexibility requires more estimation and subjects the calculations to increased complexity, without providing a more accurate estimate. Again, we believe this contradicts the Board's objective for reliable and useful information.

For these reasons, we urge the Board to reconsider the adoption of the proposed statement and recommend the requirement for expanded disclosures on stock option activity instead. Thank you for the opportunity to comment on these critical issues.

Sincerely,

  
John J. Leahy  
Senior Vice President of Finance and  
Administration and Chief Financial Officer