

Letter of Comment No: 45
File Reference: 1102-001
Date Received: 1-20-03

Chairman, President
and Chief Executive Officer

January 20, 2003

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

Dear Sirs:

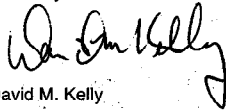
I am writing in response to a request for comments concerning accounting for stock-based compensation.

We agree that stock options do have value and that they represent compensation for services to be rendered by employees. But, in our opinion, options are not an expense to the corporation, but rather an expense of the shareholder. Management and the board of directors of the corporation on behalf of shareholders make option grants to employees. When and if these options are exercised, they cause shareholder dilution. Employees, in effect, are being incented by shareholders to achieve superior results.

The cost to shareholders of stock options should be fully disclosed in financial statements. Diluted earnings-per-share information is an informative and appropriate mechanism to accomplish this. Shareholders will then make their own decision as to whether this cost, in the form of equity dilution, has value or not and adjust their stock positions accordingly.

To include options as expense in a corporate income statement will obfuscate the income statement and make them less valuable to investors. Businesses and investors want financial statements that fully disclose all relevant information in a user-friendly, understandable way. Adding a hypothetical stock option expense does exactly the opposite. It will make statements more difficult to understand and require further adjustments to truly understand the economic performance of the company.

Sincerely,



David M. Kelly

DMK:blm