Study: Board outsiders got backdated stock

*Investment News*
Riva Froymovich
December 18, 2006

The backdated stock option scandals that ignited Securities and Exchange Commission investigations included not just top executives, but about 1,400 other directors as well, according to a Harvard Law School study to be released today, The New York Times reported.

The study suggests that the stock manipulation method to boost the value of stocks for its holders was used to augment payments to directors in the boardroom, raising questions about corporate governance for outside directors who are meant to serve as a guard against corruption.

The report goes so far as to say that these board members may have even approved the stock options, according to the Times.

From the ranks of 120 companies under investigation for backdated stock options by the Securities and Exchange Commission, 60 executives and directors have been forced out or fired.

The study found that board members at about 460 companies probably received manipulated options, and about 1,400 outside directors likely profited from the scheme, The New York Times said.

It was believed that outside directors were not affected by backdating practices.

Backdating options is not illegal per se, but could create legal problems regarding accounting, disclosure and tax issues, and it is generally considered "bad practice," according to The New York Times.