

Paul Mendlik Executive Vice President - Finance Chief Financial Officer - Treasurer

t 402.963,1241 f 402.963,1619 e pmmendlik@west.com

> Letter of Comment No: 4361 File Reference: 1102-100

June 17, 2004

Ms. Sue Bielstein
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 1102-100

Dear Ms. Bielstein:

West Corporation appreciates the opportunity to comment on the Exposure Draft of the Proposed Statement of Financial Accounting Standards Share-Based Payment an amendment of FASB Statements No. 123 and 95 (the "Exposure Draft" or "ED"). A summary of our comments is as follows:

Income Taxes

We believe that employee share-based payment transactions consist of two components, a transaction in which employees render services as consideration for share-based awards and an equity transaction. Accordingly, the tax benefit recognized in the income statement should be based on the compensation cost recognized in the income statement and any excess tax deduction or shortfall resulting from the vesting of stock awards or the exercise of share options should be recognized as an adjustment to additional paid-in capital. This approach also provides the benefit of ensuring symmetry between the treatment of excess tax benefits and shortfalls and greatly reduces the administrative cost imposed in implementing the proposed standard, as preparers would not be required to separately track deferred tax assets at the individual employee level for each instrument granted.

Consistent with the view that employee share-based payments consist of a transaction in which employees render services as consideration for share-based awards and an equity transaction, tax deductions from the vesting of stock awards or the exercise of share options should be reported entirely as financing cash inflows. The rendering of service for stock-based awards is a noncash transaction and we do not believe that any of the tax benefits from the

vesting of stock awards or the exercise of share options should be reported as operating cash inflows.

Awards with Graded Vesting Schedules

We disagree with the conclusion that an award with a graded vesting schedule should be accounted for as separate awards. An award with graded vesting is in fact a single award, not a series of linked awards, and compensation costs for such awards should be recognized on a straight-line basis. We also believe that is the way they are viewed by employees.

Transition

We believe that the Board should allow companies to adopt the proposed Statement under either a modified prospective transition or a "modified retroactive" transition. Both methods address the ramp-up effect that results from the prospective transition and the reported amount of stock-based compensation cost determined under either method will be the same in the period of adoption and all subsequent periods. We contend that if it is practicable for a company to restate prior period financials, even on this "modified retroactive" approach, it will result in greater consistency and comparability when evaluating the company's financial statements.

Additionally, we believe that entities should be permitted to restate their prior period financial statements under a full retroactive transition. As such, all valuations would be performed on a similar basis (i.e., lattice model) and attribution would be on a similar basis (i.e., grading vesting; to the extent our recommendation on graded vesting is not accepted). From a pure comparability standpoint, we believe this would be the most appropriate accounting treatment. In the Basis for Conclusions of the proposed Statement, the Board rejected the full retroactive restatement approach because a company might conclude that some aspect of its valuation method used in prior years should be changed, which could call for revised estimates of prior period data. We agree with the Board's concern as it relates to hindsight, however, we believe that valuations could be re-performed using the lattice model with historical data available at grant date. We believe that it is entirely appropriate that companies be allowed to use a valuation methodology that may not have been widely utilized or understood at the time the pro forma calculations were prepared. If a company is going to restate its prior period financial statements, we believe it is appropriate to allow entities to re-value their awards under a preferable and more reliable method of valuation than may have been used when preparing their pro forma disclosures, especially when it is the result of implementing a new accounting standard.

We acknowledge that full retroactive restatement may be impracticable for certain companies and we do not recommend that it be mandated. To the extent a company has the ability and the data available to comply with this transition, however, we believe companies should be permitted to do so, in order to achieve consistency in their financial statements.

In summary, we believe the Board should permit entities to adopt the final Statement under the modified prospective transition method, the modified retroactive transition method or the full retroactive transition method.

Effective Date

We are concerned with the proposed timing for the release of the final standard and the proposed effective date for calendar year end public companies. We believe that the Board should select an effective date that reflects not only the need to issue standards in a timely manner, but also allows preparers and their auditors sufficient time to ensure that new standards are implemented with high quality. We believe that a high quality implementation of the proposed standard will provide the capital markets with better and more useful information than if the Board issues the final Standard providing limited time for preparers to address implementation issues.

Very truly yours,

Paul M. Mendlik

Executive Vice President – Finance Chief Financial Officer & Treasurer

PMM:dks