



Mr. Robert H. Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk Connecticut 06856-5116

Letter of Comment No: 4
File Reference: FSP123RBU
Date Received:

"Date of Grant" for Equity Awards Under FAS 123(R)

Dear Mr. Herz:

The FASB's staff has recently caused considerable turmoil in the stock option community. This is the result of the staff's advice to one or more of the big four accounting firms that grant date for financial measurement purposes under FAS 123(R) does not occur until the terms of the grant have been communicated to the employee.

The Problem

In most cases, communication to the employee takes several weeks after the board's compensation committee has approved the grant. I am a stock administrator of a company with approximately 333 employees. We issue annual grants to all employees. Once I receive the notification of the approved grants and the number of shares granted for each employee, it takes me about a week to process the information and print grant agreements for the employee's to sign. This is a manual process and could not be done in one day. Also, there may be different dates involved because of the time it takes to process the grants, deliver the grants to each departments manager, we want the grant information to be discussed in-private between the employee and his or her direct supervisor, as the receipt and size of the grant are related to the employee's performance. We do require employees to sign their agreement and return a copy to me. Tracking the returned grants is also time consuming, and we do not allow employees to reject their grants. Scheduling and holding these discussions takes time. Thus, the stock option community believes the FASB's staff has created an unnecessary and impractical administrative burden on me. Compliance will increasingly require electronic communication, we have many employees who do not have access to email, which would make the situation even harder, and this will de-humanize the process and be undesirable from a motivation and employee-relations viewpoint.

Proposed Solution

We have a practical solution to propose that would address the employee-relations issues but still be consistent with FAS 123(R), which defines grant date, in part, as "The date at which an employer and an employee reach a mutual understanding of the key terms and

conditions of a share-based payment award. The solution is to regard the "key terms and conditions" as including the **fair market value per share** of an award, but not including the total number of shares granted to the individual. In other words, a grant's fair market value or option price could be communicated immediately to our employees, along with the other terms, leaving the personal communication regarding the size of the grant to come within a reasonable period of time thereafter.

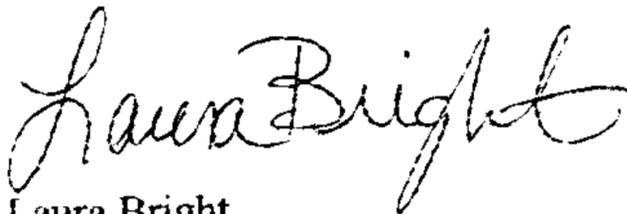
Arguments in favor of this proposal are:

1. Communication would cover all terms and conditions *per share*, not the number of shares. Terms and conditions include price, maximum term, vesting, payment, treatment upon termination of employment, etc. (i.e., all the provisions covered in a grant agreement).
2. From an accounting perspective, what is important to determine for equity awards are these administrative provisions and the *aggregate number of shares* covered by grants, not the number of shares per participant.
3. There should be no inherent conflict with related tax and stock exchange regulations.

For

example, under IRC Section 409A, it would be difficult to envision a rationale for treating such a grant as a "discount" option when (1) the strike price was set at 100% of fair market value per share on the grant date and simultaneously communicated (with all relevant provisions), and (2) the number of shares per participant was formally approved and locked-in without a possible subsequent change. We can think of no arguments against the proposal. We respectfully request your timely consideration and approval of this proposal, and assuming that there is support, dissemination via a staff interpretative bulletin or other appropriate means.

Sincerely,



Laura Bright
Stock Administrator