Letter of Comment No: 5
File Reference: FSP123R-D

January 27, 2006

Mr. Lawrence Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

RE: File Reference No. FSP FAS 123(R)-d, Classification of Options and Similar Instruments Issued as Employee Compensation That Allow for Cash Settlement upon the Occurrence of a Contingent Event

Dear Mr. Smith:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the Financial Accounting Standards Board (the "FASB" or "Board") on its proposed FASB Staff Position No. FAS 123(R)-d, "Classification of Options and Similar Instruments Issued as Employee Compensation That Allow for Cash Settlement upon the Occurrence of a Contingent Event" (the "proposed FSP"). We support the Board's continued efforts to address implementation issues related to FASB Statement No. 123 (revised 2004), *Share-Based Payment* (FAS 123(R)).

Our responses to the questions asked in the Notice for Recipients are as follows:

Issue 1: Do you think the Board should restrict the guidance in this FSP only to specific types of contingent events (for example, a change in control)?

We do not think the Board should restrict the guidance in the FSP to specific types of contingent events because we believe that an additional exception that addresses only certain contingent events would result in unnecessary complexity and a model that is not consistent with either FAS 123(R)'s model for puttable shares or the guidance in FASB Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.

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Issue 2: Do you believe the grandfathering approach more appropriately addresses this issue?

In our view, a grandfathering approach would avoid creating an additional difference in the accounting model for instruments issued to nonemployees and those issued as employee compensation. We believe the best approach to address this issue would be to provide an orderly transition by deferring the application of paragraph 32(b) of FAS 123(R) for some period of time (for example six months from the date of a posted FSP). This deferral would allow companies that wish to remove contingent cash settlement features from their stock option plans sufficient time to make such amendments in order to retain equity classification. We believe the proposed deferral should apply to all outstanding awards issued by a company as of the date that an FSP was posted to the FASB's website and through the date of the proposed deferral period. Any awards outstanding at the end of the proposed deferral period that included such a cash settlement feature would then be accounted for as a liability.

Should the Board decide not to pursue the grandfathering approach, however, we are also supportive of the probability approach of the proposed FSP, which converges the accounting for puttable shares and stock options by applying the probability notion of paragraph 31 of FAS 123(R) to options and similar instruments. We believe that the proposed FSP provides a practical solution until the Board completes its Liabilities and Equity project.

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If you have questions regarding our comments, please contact John Horan at (973) 236-4997.

Sincerely,

PricewaterhouseCoopers LLP