



**SIGMA-ALDRICH**  
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**Letter of Comment No: 5523**  
**File Reference: 1102-100**

Director of Major Projects  
Financial Accounting Standards Board  
Of the Financial Accounting Foundation  
401 Merritt 7  
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Norwalk, CN 06856-5116  
Sent by email to: [director@fasb.org](mailto:director@fasb.org)

File Reference No. 1102-100

Dear Sir or Madam:

Thank you for the opportunity to allow Sigma-Aldrich Corporation (Sigma) to submit comments on the Proposed Statement of Financial Accounting Standards: Share-Based Payment—an amendment of Statements No. 123 and 95 (Amendment).

Sigma believes one preferred method to account for share-based payments will improve comparability of reported financial information. Sigma also believes recording a GAAP expense (i.e., compensation cost) for the granting of stock options does not add clarity to current financial statements nor does recording an expense faithfully represent the economic transaction affecting an issuer. Dilution of earnings per share, we believe, exemplifies faithfully the economic transaction affecting an issuer. However, given the course this issue is on, Sigma would like to make one suggestion assuming that fair market value accounting of stock options has already been decided.

Sigma does not agree with the Board's distinction between performance, service and market conditions and the related expense that would be recognized under the Amendment. The Amendment appears to penalize companies that require superior performance before vesting can occur versus those that just allow options to vest over time. How does this create value for the shareholders? An award that does not vest due to either unmet service or market conditions should not be recognized as expense.

The Amendment as proposed leaves differences in determining the recognition of compensation expense for cash compensation awards versus stock compensation awards. In a cash bonus situation, any market based bonus measure not met are not paid and, accordingly, not expensed. In the Amendment, stock awards are expensed even if the market based measure is unmet and, as a result, are of no value to the employee.

Sigma's suggestion is to remove the proposed qualifier on the definition of vesting: "Market conditions are not vesting conditions for the purposes of this statement." In the spirit of fair market value accounting, this qualifier should be eliminated in the final Statement, if issued.

Sincerely,

/s/ George Krinninger

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and Analysis  
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/s/ Don Hake

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