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LETTER OF COMMENT NO. 13

December 5, 2008

Technical Director – File Reference No. 1240-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Proposed Statement of Financial Accounting Standards

“Earnings per Share an amendment of FASB Statement No. 128”

We appreciate the opportunity to comment on the Proposed Statement of Financial Accounting Standards, “Earnings per Share, an amendment of FASB Statement No. 128.”

We agree with the exclusion of instruments that are measured at fair value with changes in fair value recognized in earnings. We also are in general agreement with the proposed definition of items for basic earnings per share; however, as we do not have participating securities and have not thoroughly analyzed this aspect of the proposal, we abstain from opining on this aspect of basic earnings per share.

Since earnings per share is based upon the results over a period of time, it is not appropriate to use end of period balances and amounts to complete the calculation as described below. We believe that using average balances and amounts is more appropriate and provides better information.

End-of-Period Market Price

The statement that the use of the end-of-period market price would “resolve an inconsistency in the existing standard in which, for purposes of computing the number of incremental shares, the exercise of options or warrants (or their equivalents) is assumed to occur at the beginning of the period while the repurchase of treasury shares is assumed to occur over the entire period” is erroneous. By using end-of period prices and balances to compute incremental shares and then assuming that this amount is outstanding from the beginning of the period does not resolve an inconsistency but introduces even more inconsistency.

Additionally, using end-of-period market prices introduces potentially significant volatility in the number of incremental shares and this could significantly reduce the

usefulness of diluted EPS in evaluating a company's results as well as the analysts' predictive ability. It is also somewhat nonsensical that if a company's stock price drops on the last day of the period, their reported diluted EPS would be higher and that tends to increase the stock price. The use of an average market price is the only alternative that makes any sense. It is also consistent with SFAS 52 and the use of the average exchange rate in translating foreign denominated income statement amounts.

Finally, the use of end of period prices in the treasury stock method would not appreciably simplify the computation of diluted EPS. The computation of the average stock price is not difficult and is not a valid reason for changing the requirements.

Share-based Payments

Using the end-of-period unearned compensation and outstanding options instead of the averages to determine the proceeds under the treasury stock method is not appropriate. It is particularly egregious in the year to date computations. While we understand that the YTD diluted EPS may not equal the sum of the quarters, this will produce even greater divergence.

Clarifications Needed

We believe the term "little cost" may be subject to confusion and warrants further clarification. We believe that the SEC and audit firms will develop their own criteria and establish bright lines for this evaluation. This is one instance that the accounting community would benefit from a threshold being established by the Board.

We would appreciate clarification related to the inclusion of certain instruments in basic EPS. For some companies, restricted stock awarded to employees that are retirement eligible have no future service requirement and therefore no cost. However, the award is not currently issuable as the employee must actually retire to be issued shares prior to the stated vesting. We do not believe these awards should be included in basic EPS and believe that the Standard should clarify the Board's intention. If the Board would include these in basic EPS, would this determination change if the award does not receive dividends until vested as is the case with restricted stock units?

We would be pleased to discuss our comments with the Board members or the FASB staff at your convenience.

Very truly yours,



Henry R. Sturkie, III

Senior Accounting Policy Manager