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LETTER OF COMMENT NO. 6

July 7, 2006
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116
director@fasb.org

RE: Proposed FASB Staff Position No. FAS 123(R)-e, *Amendment of FASB Staff Position FAS 123(R)-1.*

We are pleased to respond to the above-referenced proposed FASB Staff Position (FSP). We welcome the Board's efforts to improve the accounting and financial reporting for Share Based Payments and support the fundamental principles set by the Board in developing the new guidance.

First Data Corp. (NYSE:FDC) is a leading provider of electronic commerce and payment solutions for businesses and consumers worldwide. First Data's portfolio of services and solutions includes credit, debit, private-label, smart and stored-value card issuing and merchant transaction processing services; money transfer services; money orders; fraud protection and authentication solutions; check guarantee and verification services; as well as Internet commerce.

We agree with the Staff's decision to clarify the guidance in FSP FAS 123(R)-1, particularly with its decision to exempt equity restructurings and business combinations, under certain circumstances, from the requirement to follow the measurement and recognition principles of other GAAP subsequent to the modification. However, we believe that additional clarification beyond what is provided in the proposed FSP is necessary. Specifically we have concerns about certain points within conditions "a" and "b" of paragraph 4 of the proposed FSP.

Condition "a" indicates that an increase in value to the holders of the instrument will result in subsequent measurement and recognition of the instrument through reference to other applicable GAAP.

This condition should clarify what is meant by "no increase in value to the holders of the instrument." Pursuant to paragraph 54 of FAS 123(R), accounting for a modification in conjunction with an equity restructuring requires a comparison of the fair value of the modified award with the fair value of the original award immediately before the modification. Notwithstanding this guidance, we believe that most share based payment awards will be adjusted to reflect equity restructurings or business combinations in a manner that maintains an aggregate intrinsic value. This is because the intrinsic value approach is more objective than a fair value approach and is less subject to disputes

over the required adjustment. We believe that most holders of share based payment awards would look to an intrinsic value approach to determine whether the value of the awards that they held increased, decreased, or remained the same as a result of an equity restructuring or business combination.

Additionally, since many awards will continue to be adjusted using an intrinsic value approach, we believe that adjustments made in connection with equity restructurings or business combinations could result in a measurement of incremental fair value, even though the adjusted awards maintain the same aggregate intrinsic value and ratio of intrinsic value to fair value of the underlying stock.

Consider the following example:

A company with outstanding stock options held by both employees and former employees enters into a significant spin-off transaction. The original terms of the awards require an adjustment using an intrinsic value approach regardless of whether or not the holder is still an employee. Assume that the spin-off results in two equally valued companies (i.e. equal stock price and market value). The options could be adjusted in several ways that maintain the aggregate intrinsic value and ratio of exercise price to current market price. For example, the awards could be adjusted such that employees or former employees of each company would receive awards of their respective employer. Another alternative is that all employees or former employees would receive one award in each of the two companies. All alternatives would provide for appropriately adjusted exercise prices and underlying shares. All of these approaches to adjusting the awards would result in equalization of intrinsic value; however, each approach could result in different fair values that could also vary from the fair value prior to modification. This is possible because we believe that certain valuation assumptions, particularly expected volatility, would not be the same for the OLDCO and the two NEWCO's. Therefore, a company that adjusts all awards using an intrinsic value approach could measure incremental fair value based solely on changes in volatility driven by the spin-off and would have no control over or ability to predict whether it is giving an increase in value to the instrument's holder prior to the actual adjustment. Increases in the expected volatility of the new companies could result in the measurement of incremental fair value and a corresponding increase in compensation cost under FAS 123(R). Additionally, under this proposed FSP, such an increase in volatility could also require an award to be accounted for under other GAAP.

We also believe that similar issues could arise for adjustments made in connection with business combinations.

Condition "b" indicates that all holders of the same class of equity instruments should be treated in a similar manner for the instruments to avoid being measured and recognized pursuant to other GAAP. The same class of equity instruments is further clarified "(For example, stock options)". The phrase "treated in a similar manner" is vague and could lead to diversity in practice. For example, in the spin-off transaction described above, one alternative adjusts awards held by employees and former employees such that they could convert to awards of their respective employer. The other alternative is that all employees or former employees would receive one award in each of the two companies. Would following a consistent conversion formula be sufficient to meet the "similar manner" criteria or would all holders be required to receive the same "new" awards in

order for this criteria to be met? We believe some clarifications or examples of what is meant by "similar manner" are needed.

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We appreciate the opportunity to share our views and recommendations with the Board regarding the proposed FSP. If you have any questions regarding the contents of this letter please contact Jeff Billat at 303.967.8339 or Jann Engelstad at 303.967.7688 at your convenience.

Sincerely,

Jeff Billat
Vice President
Chief Accounting Officer

Jann Engelstad
Director
Corporate Accounting Policies and Standards