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FSPFAS128A

LETTER OF COMMENT NO. 8

March 27, 2007

Mr. Lawrence W. Smith
Director, TA&I - FSP
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. FSP FAS 128-a
Re: Proposed FASB Staff Position No. FAS 128-a, "Computational Guidance for Computing Diluted EPS Under the Two-Class Method"

Dear Mr. Smith:

Deloitte & Touche LLP is pleased to comment on the proposed FASB Staff Position No. FAS 128-a, "Computational Guidance for Computing Diluted EPS Under the Two-Class Method" (the "proposed FSP").

We support the FASB's efforts to provide guidance on computing diluted earnings per share (EPS) under the two-class method, and we believe that this guidance will be helpful to constituents. While we support issuance of final guidance, we believe that certain aspects of it should be clarified, as discussed below.

Additionally, the guidance issued should be consistent with any guidance that will be included in the FASB's EPS short-term international convergence project with the IASB (EPS convergence project). In fact, we believe the proposed FSP's guidance should be either:

- Incorporated into the EPS convergence project, or
- Issued as a final FSP that becomes effective at the same time as a final standard from the EPS convergence project becomes effective.

Either of these approaches would eliminate the possibility of a company having to retrospectively adjust its prior-period EPS data twice as a result of adopting the standards at two different times.

Enhance the Reader's Understanding

Paragraph 4 of the proposed FSP describes a detailed three-step process for computing diluted EPS under the two-class method. The process would be easier to understand if the overall objectives of the calculations being performed in the three-step process were described prior to stating the specific details of each calculation in that process.

Other Issues

Paragraph 4, Step 2, indicates that the starting point for calculating the numerator of diluted EPS should be total earnings allocated to the common stock under Step 1 (which was to compute basic EPS by using the two-class method). Step 2(a) states that diluted EPS should be calculated under the assumption that the participating security has been exercised, converted, or issued (i.e., that the treasury stock method, the if-converted method, or the contingently issuable share method has been applied); however, it does not indicate that undistributed earnings allocated to the participating security under Step 1 should be added back to the starting numerator defined at the beginning of Step 2. The starting point for the numerator in Step 2(a) should be the total earnings *available to the holders of the common shares and the holders of the participating securities that* are potential common shares. We recommend that this concept be carried through to each of the scenarios in the Appendix for which Step 2(a) is performed (i.e., Scenarios 2, 2(a), and 3).

Each scenario in the Appendix assumes that the Company has outstanding stock options during the year and that all option awards will vest. In addition, Scenario 3 assumes that all issued nonvested shares will vest. While we understand that in some situations a company might assume no forfeitures for its outstanding stock option and nonvested share awards, the assumption is not common or realistic. Constituents would benefit more from the guidance in the examples if the facts were revised to assume that the Company estimates some level of forfeitures for its share-based payment awards.

The total number of common shares in paragraph A7 (page 17 of the proposed FSP) used when calculating diluted EPS, assuming the effect of all potentially dilutive securities (Step 2(a) of Scenario 3), should be 33,631.

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We appreciate the opportunity to comment on the proposed FSP. If you have any questions concerning our comments, please contact Bob Uhl at (203) 761-3152.

Yours truly,

Deloitte & Touche LLP

cc: James A. Johnson