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**FASB IDENTIFIES  
ISSUES TO BE RESOLVED  
BY NEW OPINION 25 PROJECT**

The Financial Accounting Standards Board (FASB) met on December 17, 1996 and authorized the staff to proceed with a project to address and resolve 12 important practice and interpretative issues that have arisen under Opinion 25, "Accounting for Stock Issued to Employees."

Opinion 25, adopted in 1972 by the FASB's predecessor Accounting Principles Board, sets forth the governing principles for determining the expense (if any) to be recognized on a company's books when stock options or other equity-based grants are made to employees. Over the years, a number of "pervasive and difficult" issues have arisen in applying Opinion 25. Some of these have been addressed in FAS 123, "Accounting for Stock-Based Compensation," issued in 1995. But adoption of FAS 123 for expense-recognition purposes is voluntary. Therefore, because the vast majority of companies are not expected to adopt FAS 123, but rather elect to remain under Opinion 25, these issues remain unresolved.

The FASB made it clear that the new project will not readdress the fundamental measurement date and measurement method definitions that are so important to Opinion 25 and were so controversial during the 12-year effort that led to FAS 123. The issues to be addressed by the new project are identified and described on the Attachment. We believe the most important of these are:

1. Will the FASB disrupt the pervasive practice of accounting for equity-based grants to outside directors under Opinion 25?  
— Opinion 25 specifically applies only to grants made to employees.
2. Will the FASB require delay in the measurement date for grants which are made conditional until shareholder approval is obtained?  
— If the measurement date is the date of shareholder approval, then there is the potential of compensation expense for stock price growth between grant and approval.
3. Will acceleration of vesting or other changes in the terms of outstanding grants cause a new measurement date?

It is expected that the outcome of the project will be a FASB Interpretation which will be issued as an exposure draft in the third quarter of 1997.

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