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New York • Chicago • Los Angeles

January 24, 2000

FASB Concludes Redeliberations
on Proposed Interpretation of Opinion 25
Final Interpretation to be Effective
July 1, 2000, with Certain Exceptions

The Financial Accounting Standards Board (FASB) has concluded its 6-month redeliberation process with respect to the proposed interpretation of APB Opinion No. 25, *Accounting for Stock Issued to Employees* (Opinion 25).¹ The FASB has decided that the changes made during its redeliberation process do not warrant a “re-exposure” of the proposed interpretation, and has directed its staff to begin drafting the final interpretation which is expected to be issued within the next few months. Regardless of when the final interpretation is released, the FASB has decided that the effective date for the new rules will be July 1, 2000, subject to the two important “retroactive application dates” discussed below.

A detailed summary of the proposed interpretation and the final conclusions reached by the FASB during its redeliberation process is presented in the Exhibit at the end of this letter. The following discussion summarizes the FASB's most pertinent decisions reached during the final four meetings of the redeliberation process. Please refer to our earlier mailings for a summary of decisions reached earlier in the redeliberation process.²

Effective Date – The final interpretation will be effective July 1, 2000 and will be applied on a “prospective” basis to all new awards and modifications to existing awards that occur on or after that date, with two significant exceptions. The first exception is that, once the new rules are effective, they will apply to all stock option repricings (and cancellation/reissuances) and grants or modifications of awards to nonemployees that occur *subsequent to December 15, 1998*. The second exception is that, as discussed below, the new rules will apply (after the effective date) to outstanding stock options that are modified to add a “reload” feature *subsequent to January 12, 2000*.

Reload Stock Options – In an unanticipated development, the FASB has decided that “variable award” accounting will be required for outstanding stock options that are *modified* to add a reload feature. The variable award accounting will apply from the date the reload feature is added until the date the underlying stock options are exercised, forfeited, or expired. Further, variable award accounting will also be required for the reload options themselves if they too are

¹ Refer to our letter dated April 27, 1999 for a detailed summary of the Exposure Draft – *Accounting for Certain Transactions Involving Stock Compensation, and Interpretation of APB Opinion No. 25*, released March 31, 1999.

² Refer to our letters dated November 18, 1999 and August 20, 1999.

subject to a reload feature (i.e., if there is an ability to receive “reloads on reloads”). Importantly, as discussed above, the FASB has decided that the new variable award accounting treatment will apply to all outstanding stock options that are modified to add a reload feature *subsequent to January 12, 2000*.

Ironically, the FASB also decided that variable award accounting will *not* be required for otherwise “fixed” stock options if the reload provision is pursuant to the *original terms* of the stock option agreement *and* the provisions of Emerging Issues Task Force (EITF) Issue No. 90-7 are satisfied, i.e., the (1) exercise price is equal to the market price on the reload grant date, and (2) shares tendered in the reload stock-for-stock exercise are “mature” (i.e., owned for at least 6 months).

Stock Option Repricings and Cancellation/Reissuances – Throughout the redeliberation process, the FASB has been steadfast in its position that even a single stock option repricing will result in variable award accounting from the date of repricing until the date of exercise. With regard to cancellation/reissuances (i.e., “indirect” or “synthetic” repricings), the FASB has clarified that variable award accounting will be required for new stock options that are granted in connection with the cancellation of outstanding out-of-the-money stock options if either of the following occur:

- ⇒ New stock options with a lower exercise price are granted within 6 months before or after cancellation of the old stock options
- ⇒ New stock options with a lower exercise price are granted outside the 6-month before/after window period, but either (1) the company agrees to “compensate” the optionee for increases in stock price during that period, or (2) the company and optionee agree to cancel the old stock options (or otherwise reduce the likelihood of exercise) at some future date

The FASB has also clarified that (1) if variable award accounting is required in connection with the cancellation/reissuance of stock options, it is required only for *up to* the number of new shares granted that is equal to the number of old shares cancelled, and (2) the cancellation of stock options and replacement with restricted stock results only in a new “measurement date” with respect to the restricted stock (as opposed to variable award accounting).

Changes in Employment Status – The final interpretation will retain the provision in the proposed interpretation that compensation cost must be “remeasured” for nonvested stock options or awards upon a “change in status” to or from an employee who *continues* to provide services to the company, with one notable exception. The exception is that compensation cost does not have to be remeasured for stock options or awards granted to employees who subsequently become nonemployees as the result of an equity restructuring (such as a spin off), provided that the requirements of EITF Issue No. 90-9 are satisfied, i.e., the (1) aggregate “intrinsic value” of stock options or awards immediately after the equity restructuring is *no greater than* the aggregate intrinsic value immediately prior to the equity restructuring, (2) ratio of exercise price per option to market value per share is *not reduced*, and (3) vesting provisions

and option exercise term remain the same. Variable award accounting will be required if the requirements of EITF Issue No. 90-9 are not satisfied.

Extension of Option Exercise Term – The final interpretation will require a new measurement date if outstanding stock options are modified to extend either the “maximum contractual” exercise term or the “post-termination” exercise term. Extending the maximum contractual exercise term will result in a new measurement date as of the modification date, with the amount of compensation cost equal to the award’s intrinsic value as of the modification date and the recognition of compensation cost beginning as of the modification date. Extending the post-termination exercise term will also result in a new measurement date as of the modification date. However, provided that the extension is not in excess of the maximum contractual term, compensation cost (as measured by the award’s intrinsic value as of the modification date) will be recognized *only if and when* the termination event occurs.

Other Provisions – Other notable conclusions reached by the FASB during the final four meetings of the redeliberation process include:

- ⇒ Changes to the exercise price or number of shares of outstanding stock options or awards in connection with stock splits, stock dividends, and other similar equity restructurings will not result in variable award accounting provided that the requirements of EITF Issue No. 90-9 are satisfied (refer to “Changes in Employment Status” discussed above)
- ⇒ If nonvested stock options are exchanged in a “purchase” business combination, the intrinsic value attributable to the nonvested award’s remaining service (vesting) period will be “carved out” of the purchase proceeds and reclassified as “prepaid compensation,” which will be amortized as compensation cost over the remaining vesting period
- ⇒ The amount of newly measured compensation cost for cancelled, modified, or newly variable stock options or awards will be equal to the sum of the (1) award’s original intrinsic value (if any), and (2) intrinsic value of the modified (or newly variable) award in excess of the *lesser of* the award’s original intrinsic value or the intrinsic value as of the modification date



General questions about this letter may be addressed to Thomas Haines in our Chicago office (312-332-0910). Copies of this letter and other published materials are available on our website, www.fwcook.com.

FASB Redeliberations on Proposed Interpretation of Opinion 25

<u>Issue</u>	<u>Original Proposed Interpretation</u>	<u>Results of FASB Redeliberations</u>
<i>Definition of Employee:</i>	<ul style="list-style-type: none"> Opinion 25 applies only to <i>common law</i> employees; presumption is that an individual designated as an employee for payroll tax purposes is also an employee for purposes of applying Opinion 25 	<ul style="list-style-type: none"> Opinion 25 applies only to employees as defined by common law <i>and</i> IRS Revenue Ruling 87-41 Presumption is that an individual designated as an employee under Opinion 25 should also be classified as an employee for purposes of U.S. payroll taxes, <i>except</i> for lease or co-employment agreements discussed below Opinion 25 does <i>not</i> apply to independent contractors or other service providers who are not employees
<i>Outside Directors:</i>	<ul style="list-style-type: none"> Opinion 25 does <i>not</i> apply to outside directors 	<ul style="list-style-type: none"> Opinion 25 <i>does</i> apply to outside directors
<i>Leased Employees/Co-Employment Arrangements:</i>	<ul style="list-style-type: none"> Opinion 25 applies only to <i>one</i> entity; presumption is that the qualifying entity is the one responsible for compensation and payroll tax administration (normally the lessor) 	<ul style="list-style-type: none"> In “dual employment” agreements, Opinion 25 applies to stock options or awards granted by a lessee to leased employees <i>only if</i> (1) the leased employees qualify as common law employees to the lessee and the lessor is contractually required to administer payroll taxes, and (2) the lessor and lessee agree in writing that, among other things, the lessee has the exclusive right to grant stock options or awards to the leased employees and the leased employees have the ability to participate on a "comparable" basis in the lessee’s employee benefit plans
<i>Consolidated vs. Nonconsolidated Entities:</i>	<ul style="list-style-type: none"> Opinion 25 applies only to grants of parent-company stock options or awards to employees of a <i>consolidated</i> entity Opinion 25 does <i>not</i> apply to grants of parent-company stock options or awards to employees of a nonconsolidated entity, such as a joint venture or other equity investment 	<ul style="list-style-type: none"> No changes from the proposed interpretation other than to clarify that, in consolidated financial statements, Opinion 25 applies to all grants or awards by <i>any</i> member of the consolidated group to <i>any other</i> member of the group

<u>Issue</u>	<u>Original Proposed Interpretation</u>	<u>Results of FASB Redeliberations</u>
<i>Consolidated vs. Nonconsolidated Entities (cont):</i>		<ul style="list-style-type: none"> FASB will submit to the Emerging Issues Task Force (EITF) the issue of how to account at both the investor and investee level for stock options or awards granted by an equity method investor or joint venture owner to employees of a nonconsolidated entity
<i>Separate Financial Statements of a Subsidiary:</i>	<ul style="list-style-type: none"> Opinion 25 applies to the separate financial statements of a subsidiary for grants of parent-company stock options or awards <i>only if</i> the subsidiary is consolidated with the parent Opinion 25 does <i>not</i> apply to grants of parent-company stock options or awards in the separate financial statements of a nonconsolidated subsidiary 	<ul style="list-style-type: none"> No changes from the proposed interpretation other than to <i>prohibit</i> the application of Opinion 25 in separate financial statements for transactions between members of a consolidated group that do not involve parent-company stock, e.g., stock options or awards of a subsidiary granted to employees of another subsidiary or the parent company FASB will submit to the EITF the issue of how to account in separate financial statements of the grantor and the employer of the grantee for stock options or awards granted by members of a consolidated group to employees of other members of the consolidated group
<i>Changes in Employment Status:</i>	<ul style="list-style-type: none"> Compensation cost is “remeasured” for <i>nonvested</i> stock options or awards upon a change in status to or from an employee (who <i>continues</i> to provide services to the entity) 	<ul style="list-style-type: none"> No changes from the proposed interpretation other than to provide an exception that compensation cost is <i>not</i> remeasured for stock options or awards granted to employees who subsequently become nonemployees as the result of an equity restructuring (such as a spin off), provided that the requirements of EITF Issue No. 90-9 are satisfied, i.e., the (1) aggregate intrinsic value of stock options or awards immediately after the equity restructuring is <i>no greater than</i> the aggregate intrinsic value immediately prior to the equity restructuring, (2) ratio of exercise price per option to market value per share is <i>not reduced</i>, and (3) vesting provisions and option exercise term remain the same; variable award accounting is required if the requirements of EITF Issue No. 90-9 are <i>not</i> satisfied

<u>Issue</u>	<u>Original Proposed Interpretation</u>	<u>Results of FASB Redeliberations</u>
<i>Noncompensatory Plans:</i>	<ul style="list-style-type: none"> Employee stock purchase plans meeting the criteria of IRC Section 423 retain their status as “noncompensatory,” including plans with purchase discounts of up to 15 percent at grant and “look-back” purchase prices 	<ul style="list-style-type: none"> No changes from the proposed interpretation
<i>Award Modifications:</i>	<ul style="list-style-type: none"> Compensation cost is remeasured (i.e., a new "measurement date" is required) at the modification date for stock options or awards if the modification results in a more than <i>de minimis</i> increase in “fair value”; fair value for stock options is calculated using an option pricing model (such as Black-Scholes) and the remaining contractual term of the stock option The <i>amount</i> of newly measured compensation cost is generally equal to the sum of the award's (1) original “intrinsic value” (if any), and (2) intrinsic value as of the modification date <i>in excess</i> of the original intrinsic value An <i>exception</i> applies if stock options are cancelled and replaced with a different grant type, such as restricted stock; in such a case, the amount of newly measured compensation cost is equal to the sum of (1) the stock option's original intrinsic value (if any), and (2) the excess of the new award's intrinsic over the stock option's intrinsic value, both measured as of the <i>modification date</i> 	<ul style="list-style-type: none"> The fair value concept is dropped A new measurement date is required <i>only for</i> modifications that directly or indirectly extend the exercise term of the stock option, as summarized below: <ul style="list-style-type: none"> ⇒ Extending the <i>maximum contractual</i> exercise term of the stock option results in a new measurement date as of the modification date, with the amount of compensation cost equal to the award’s intrinsic value as of the modification date; compensation cost should begin to be recognized as of the modification date ⇒ Extending the <i>post-termination</i> exercise term of the stock option also results in a new measurement date as of the modification date; however, provided that the extension is not in excess of the maximum contractual term, compensation cost (as measured by the award’s intrinsic value as of the modification date) is recognized <i>only if and when</i> the termination event occurs (same concept as accelerated vesting modifications discussed below) “Variable award” accounting is required for an otherwise “fixed” stock option or award for modifications that directly or indirectly change the exercise price or number of shares <ul style="list-style-type: none"> ⇒ Refer to “Stock Option Repricings and Cancellation/Reissuances” discussed below

<u>Issue</u>	<u>Original Proposed Interpretation</u>	<u>Results of FASB Redeliberations</u>
<p><i>Award Modifications</i> (<i>cont.</i>):</p>		<p>⇒ Variable award accounting <i>is</i> required for stock options that are modified to add a “reload” feature; variable award accounting applies from the date of modification until the date of exercise, forfeiture, or expiration of the original award (variable award accounting also applies to the reload option itself if it is also subject to a reload feature, i.e., if there are “multiple reloads”)</p> <p>⇒ Variable award accounting is <i>not</i> required if the reload provision is pursuant to the <i>original terms</i> of the stock option and the requirements of EITF Issue No. 90-7 are satisfied, i.e., the (1) exercise price is equal to the market price on the reload grant date, and (2) shares tendered in the reload stock-for-stock exercise are “mature” (i.e., owned for at least 6 months)</p> <ul style="list-style-type: none"> • The <i>amount</i> of newly measured compensation cost for a cancelled, modified, or newly variable stock option or award is equal to the sum of the (1) award’s original intrinsic value (if any), and (2) intrinsic value of the modified (or newly variable) award in excess of the <i>lesser of</i> the award’s original intrinsic value or the intrinsic value as of the modification date
<p><i>Accelerated Vesting</i>:</p>	<ul style="list-style-type: none"> • A new measurement date is <i>not</i> required if vesting is accelerated pursuant to the <i>original terms</i> of the stock option or award • A new measurement date <i>is</i> required if the acceleration (1) is discretionary or not pursuant to the original terms of the award, and (2) results in a more than <i>de minimis</i> increase in fair value 	<ul style="list-style-type: none"> • The fair value concept is dropped • A new measurement date is <i>not</i> required if vesting is accelerated pursuant to the <i>original terms</i> of the stock option or award

<u>Issue</u>	<u>Original Proposed Interpretation</u>	<u>Results of FASB Redeliberations</u>
<i>Accelerated Vesting (cont.):</i>	<ul style="list-style-type: none"> The <i>amount</i> of newly measured compensation cost is calculated in the same manner as “Award Modifications” discussed above 	<ul style="list-style-type: none"> Using discretion to accelerate the vesting of a stock option or award or modifying the original terms of the award to accelerate vesting (whether unconditionally or upon the occurrence of future events) results in a new measurement date as of the date discretion is used or the award is modified; however, compensation cost (as measured by the award's intrinsic value as of the modification date) is recognized <i>only if and when</i> the vesting is actually accelerated (same concept as post-termination exercise term extensions discussed above)
<i>Cash Settlements:</i>	<ul style="list-style-type: none"> Compensation cost is remeasured if cash is paid to settle an earlier grant of stock options or awards, or to repurchase the shares within 6 months after option exercise or issuance The <i>amount</i> of newly measured compensation cost is equal to the sum of (1) the award’s original intrinsic value (if any), and (2) any cash paid in excess of that value (net of any cash paid by the employee) 	<ul style="list-style-type: none"> The <i>amount</i> of compensation cost is redefined to equal the sum of (1) the award’s original intrinsic value (if any), and (2) any cash paid in excess of the <i>lesser of</i> the award’s original intrinsic value or the intrinsic value as of the cash settlement date
<i>Stock Option Repricings and Cancellation/ Reissuances:</i>	<ul style="list-style-type: none"> Variable award accounting is required for an otherwise fixed stock option if the award is repriced (i.e., there is a change to the exercise price or number of shares) or cancelled and reissued within 6 months; variable award accounting applies from the date of modification until the date of exercise 	<ul style="list-style-type: none"> No changes from the proposed interpretation regarding the principal conclusion that even a single repricing results in variable award accounting for the new award going forward Variable award accounting <i>is</i> required for a new stock option that is granted in connection with the cancellation of an outstanding out-of-the-money stock option if either of the following occur: <ul style="list-style-type: none"> ⇒ A new stock option with a lower exercise price is granted within 6 months before or after cancellation of an old stock option

<u>Issue</u>	<u>Original Proposed Interpretation</u>	<u>Results of FASB Redeliberations</u>
<p><i>Stock Option Repricings and Cancellation/Reissuances (cont.):</i></p>		<p>⇒ A new stock option with a lower exercise price is granted outside the 6-month before/after window period, but either (1) the company agrees to “compensate” the optionee for increases in stock price during that period (e.g., the company grants the optionee a 6-month “stock appreciation right” (SAR) for the period between cancellation of the old award and grant of the new award), or (2) an agreement exists (in any form) between the company and the optionee to cancel a previously granted out-of-the-money stock option at some future date (e.g., the optionee agrees to reduce an out-of-the-money stock option’s exercise term to 6 months and 1 day in consideration for a new stock option)</p> <ul style="list-style-type: none"> • If variable award accounting is required in connection with the cancellation/reissuance of a stock option, it is required only for <i>up to</i> a number of new shares granted that is equal to the number of old shares cancelled (i.e., variable award accounting is not required for otherwise fixed stock options that are granted <i>in excess</i> of the number of old stock options cancelled) • The cancellation of a fixed stock option and replacement with a restricted stock award requires only a new measurement date with respect to the restricted stock award (as opposed to variable award accounting)
<p><i>Equity Restructurings:</i></p>	<ul style="list-style-type: none"> • Variable award accounting is <i>not</i> required for changes to the exercise price or number of shares in connection with stock splits, stock dividends, and other similar equity restructurings, so long as such changes do not result in a more than <i>de minimis</i> increase in fair value 	<ul style="list-style-type: none"> • The fair value concept is dropped • Variable award accounting is <i>not</i> required so long as the requirements of EITF Issue No. 90-9 are satisfied (refer to “Changes in Employment Status” discussed above)

<u>Issue</u>	<u>Original Proposed Interpretation</u>	<u>Results of FASB Redeliberations</u>
<p><i>Puts, Calls, and Rights of First Refusal:</i></p>	<ul style="list-style-type: none"> • Variable award accounting is <i>not</i> required for stock options or awards with a share repurchase feature based on fair value, so long as the shares are not expected to be repurchased within 6 months of option exercise or issuance • Nonpublic entities (including nonpublic entities with public debt, but excluding “controlled” subsidiaries of public entities) may calibrate the repurchase price on other than fair value, so long as the employee “... has a substantial investment and bears risk for a reasonable period ...” 	<ul style="list-style-type: none"> • No changes from proposed interpretation other than to clarify for nonpublic companies that a substantial investment is defined as “... a 100 percent investment (other than by providing services) determined as of the grant date, using the formula repurchase or book value prescribed by the plan ...” ⇒ Thus, variable award accounting is required (until a substantial investment is made upon exercise) for stock options with a share repurchase feature based on other than fair value
<p><i>Stock-for-Tax Withholding:</i></p>	<ul style="list-style-type: none"> • Variable award accounting is required for stock options or awards if shares can be, or actually are, withheld upon exercise or issuance to satisfy taxes <i>in excess</i> of “minimum required” federal, state, and payroll withholding rates • For plans that do not expressly permit or prohibit excess withholding, variable award accounting is <i>not</i> required unless excess shares are actually withheld or a “pattern” of excess withholding emerges (in which case all awards granted under the plan become variable) 	<ul style="list-style-type: none"> • No changes from the proposed interpretation regarding the principal conclusions that (1) required tax withholding is based on the employer's "minimum statutory withholding rates," and (2) actual excess withholding results in a new measurement date for the total award (i.e., compensation cost is equal to the total intrinsic value of the award on the excess withholding date) • The FASB did, however, clarify when variable award accounting is required (prior to the actual excess withholding event) by differentiating between withholding elections that are at the sole discretion of the employee or the employer, as summarized below: ⇒ Variable award accounting <i>is</i> required for stock options or awards if the election to withhold excess shares is at the <i>sole discretion of the employee</i> ⇒ Variable award accounting is <i>not</i> required for stock options or awards if the election to withhold is at the <i>discretion of the employer</i> (regardless of whether the grant provisions permit, or are silent about, excess withholding), unless the employer “... exhibits a pattern of consistently approving excess withholding...”

<u>Issue</u>	<u>Original Proposed Interpretation</u>	<u>Results of FASB Redeliberations</u>
<i>Pooling-of-Interests:</i>	<ul style="list-style-type: none"> A new measurement date is <i>not</i> required for changes to the exercise price or number of shares of outstanding stock options (whether vested or nonvested) in a pooling-of-interests transaction, provided that (1) the aggregate intrinsic value of the stock options immediately after the exchange is <i>no greater than</i> the aggregate intrinsic value immediately prior to the exchange, (2) the ratio of exercise price per option to market value per share is <i>not reduced</i>, and (3) any other modifications (such as changes in vesting or option term) do not result in a more than <i>de minimis</i> increase in fair value 	<ul style="list-style-type: none"> The fair value concept is dropped No changes from the proposed interpretation with respect to changes to the exercise price or number of shares Reference to "other modifications" is dropped since modifications to other stock option provisions would generally be deemed an "alteration of equity interests" that would preclude pooling
<i>Purchase Combinations:</i>	<ul style="list-style-type: none"> A new measurement date is <i>not</i> required in a purchase business combination for <i>nonvested</i> stock options granted by an acquirer in exchange for nonvested stock options of an acquiree, provided that the exchange does not result in a more than <i>de minimis</i> increase in fair value; if the increase in fair value is more than <i>de minimis</i>, compensation cost is recognized to the extent that the intrinsic value of the new stock options exceeds the intrinsic value of the exchanged stock options Stock options granted by an acquirer in exchange for <i>vested</i> stock options of an acquiree in a purchase business combination are <i>not</i> accounted for under Opinion 25; rather, the fair value of the new stock options is considered part of the purchase proceeds pursuant to Opinion 16 	<ul style="list-style-type: none"> No changes from the proposed interpretation with respect to exchanges of <i>vested</i> stock options The treatment of <i>nonvested</i> stock options is changed from the proposed interpretation as follows: <ul style="list-style-type: none"> ⇒ The <i>fair value</i> of the new nonvested stock options is considered part of the purchase proceeds, similar to the treatment of vested stock options ⇒ The <i>intrinsic value</i> attributable to the nonvested award's remaining service (vesting) period is "carved out" of the purchase proceeds and reclassified as "prepaid compensation," which is amortized as compensation cost over the remaining vesting period
<i>Shareholder Approval:</i>	<ul style="list-style-type: none"> Stock options or awards that are awarded contingent on shareholder approval are <i>not</i> deemed granted until shareholder approval is actually obtained, unless such approval is perfunctory 	<ul style="list-style-type: none"> No changes from the proposed interpretation

<u>Issue</u>	<u>Original Proposed Interpretation</u>	<u>Results of FASB Redeliberations</u>
<i>Deferred Taxes:</i>	<ul style="list-style-type: none"> Deferred tax assets (i.e., future tax deductions) for fixed stock options or awards that have intrinsic value at grant are <i>not</i> reduced in event of a subsequent decline in stock price (below the stock price at grant) 	<ul style="list-style-type: none"> No changes from the proposed interpretation
<i>Cash Bonuses:</i>	<ul style="list-style-type: none"> Variable award accounting is required for stock options or awards with a related "cash bonus" feature, if such bonus is contingent upon either <i>vesting or exercise</i> of the underlying award 	<ul style="list-style-type: none"> Variable award accounting is required for stock options or awards with a related cash bonus feature <i>only if</i> the amount of the bonus is not fixed <i>and</i> payment is contingent upon exercise of the underlying award Variable award accounting is <i>not</i> required for stock options or awards with a related cash bonus feature that is either fixed in amount or not contingent upon exercise of the underlying award (i.e., cash bonuses contingent upon <i>vesting</i> of the underlying award do not result in variable accounting)
<i>Effective Date:</i>	<ul style="list-style-type: none"> Effective upon issuance of the final interpretation, and applied <i>prospectively</i> to all grants, modifications, and changes in employment status occurring <i>subsequent to</i> December 15, 1998; compensation cost is <i>not</i> recognized for amounts attributable to vesting periods occurring before the effective date Provisions with respect to stock-for-tax withholding transactions apply only to grants made <i>subsequent to</i> December 31, 1999; guidance provided by the EITF in Issue No. 87-6 Section C, as modified on March 24-25, 1999, applies to stock options or awards granted prior to this date (the EITF guidance requires entities to recognize as compensation cost the value of shares withheld <i>in excess of</i> the minimum required rate) 	<ul style="list-style-type: none"> The final interpretation will be applied on a prospective basis to all transactions (including stock-for-tax withholding transactions) that occur <i>on or after July 1, 2000</i>, subject to the following exceptions: <ul style="list-style-type: none"> ⇒ The final interpretation will be applied on a prospective basis (beginning on July 1, 2000) for all stock option repricings (including cancellation/reissuances) and grants/modifications of stock options or awards to nonemployees that occur <i>subsequent to December 15, 1998</i> ⇒ The final interpretation will be applied on a prospective basis (beginning on July 1, 2000) for all stock options that are modified to add a reload feature <i>subsequent to January 12, 2000</i> Consistent with the proposed interpretation, compensation cost will <i>not</i> be recognized for amounts that are attributable to vesting periods that occur prior to the July 1, 2000 effective date of the final interpretation