

April 18, 2005

SEC Delays FASB 123R (Equity Based Compensation Accounting) Effective Date

We recently reported to you on the new financial accounting rules for equity-based compensation which will require the expensing of stock options, including the effective dates for the new rules (click here to view this Management Alert). On Friday, April 14, 2005, the Securities and Exchange Commission (SEC) announced a delay in the compliance date, allowing public companies until the first fiscal year commencing after June 15, 2005 (December 15, 2005 in the case of a small business issuer) to adopt the new equity-based compensation accounting rules.

Originally, public companies other than small business issuers were required to adopt the new accounting rules beginning with the first annual or *interim* period beginning after June 15, 2005, and small business issuers were required to adopt the new rules for annual and interim periods beginning after December 15, 2005. As a result of the change, calendar year companies will not need to adopt the rule until January 1, 2006. Other public companies (other than small business issuers) with a fiscal year-end between June 15, 2005 and December 31, 2005 will still, however, be required to adopt the new equity compensation accounting rules as of the beginning of the fiscal year starting in 2005.

The new accounting rules, themselves, including the transition rules that were incorporated in FASB 123R, were not changed by the SEC, only the compliance date.

If you have any questions concerning FASB accounting rules' affect on equity-based compensation, please contact the Seyfarth Shaw LLP Employee Benefits Group or Corporate Group attorney with whom you work or any Employee Benefits or Corporate attorney on the website at www.seyfarth.com.