

## SEC ISSUES GUIDANCE REGARDING NEW FASB RULE REQUIRING EXPENSING OF STOCK OPTIONS

*By Amos J. Oelking, III*

On March 29, 2005, the SEC issued Staff Accounting Bulletin No. 107, which provides guidance to companies regarding revised Statement of Financial Accounting Standards No. 123 ("FASB 123R") issued by the FASB in December 2004.

FASB 123R requires companies that issue stock options to employees to treat the grant-date fair value of the options as a business expense. Currently, companies can opt to treat the fair value of the options as an expense or can reflect the fair value of the options in the footnotes to their financial statements. ([Click here to link to the full text of Staff Accounting Bulletin No. 107.](#))

For public companies that do not file as small business issuers, FASB 123R is scheduled to become effective as of the beginning of the first quarterly or annual reporting period that begins after June 15, 2005, and for public companies that file as small business issuers, as of the beginning of the first quarterly or annual reporting period that begins after December 15, 2005. FASB 123R is set to become effective for nonpublic companies as of the beginning of the first annual reporting period that begins after December 15, 2005.

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*Please remember that these legal principles may change and vary widely in their application to specific factual circumstances. You should consult with counsel about your individual circumstances. For further information regarding these issues you may contact the head of our Corporate and Securities practice group:*

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