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January 31, 2003

Financial Accounting Standards Board
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MP&T Director – File Reference 1102-001

FASB Invitation to Comment, Accounting for Stock-based Compensation: A Comparison of FASB Statement No. 123, Accounting for Stock-Based Compensation, and Its Related Interpretations, and IASB Proposed IFRS, Share-Based Payment

Pfizer welcomes the opportunity to comment on the above-noted invitation. Pfizer is a research-based health care company with global operations in over 140 countries. The Company's 2002 sales were approximately \$[] billion and assets are approximately \$[] billion.

Pfizer was an active participant during the FASB's development of SFAS 123 (we participated in the field test) and we expect to stay equally involved in the FASB's and IASB's continuing exploration of the issues associated with stock-based compensation.

As we have expressed in a number of forums, until an option-pricing model is identified which encompasses the variables inherent in determining the fair value of a stock option held by an employee, we remain apprehensive about the FASB and the IASB mandating companies to report fair valuation amounts. Our concern results from the fact that the absence of a reliable method of accounting for the "value" of an employee stock option effectively forces an inaccurate valuation to be reflected in the financial statements. A user of such financial statements, who does not have a background in option valuation, is misled into believing the accuracy and appropriateness of the valuation. Moreover, the current guidance to fair value a stock option can result in very different values and result in a significant lack of future comparability between financial statements of similarly situated companies. We have seen evidence of this within the recent announcements of the companies who have announced that they will recognize stock options as

compensation expense. Such models are dependent on highly subjective future-oriented assumptions which may also invite opportunities for abuse.

In the spirit of working with the FASB and the IASB, we offer a number of additional suggestions, within the framework of SFAS 123, that might mitigate the serious reporting and disclosure issues in the interim until a satisfactory model can be found. Our detailed comments are attached and we would be happy to discuss any of our views.

Very truly yours,

Loretta V. Cangialosi

Loretta V. Cangialosi
Vice President and Controller

Attachment

cc:

Mr. D.L. Shedlarz, Executive Vice President and Chief Financial Officer
Mr. A. G. Levin, Vice President – Finance

General Commentary

We appreciate that the FASB is considering whether it should propose any changes to the U.S. accounting standards on stock-based compensation. Further, we are pleased that the FASB is an active proponent of an international convergence of accounting standards.

We observe that the IASB has affirmed or identified several flaws in the FASB standard and that the passage of time since the issuance of SFAS 123 has neither revealed any significant changes in employee options valuation methodology, nor attracted significant financial statement user interest. Moreover, a number of academic researchers interested in this topic have, to some extent, supported the notion of detractors that SFAS 123 option values are generally overstated. Previously, we objected to the issuance of a FASB standard that required the expensing of employee stock options because of the inaccuracies inherent in present pricing models. We continue to believe mandatory expensing is inappropriate for the same reason.

Generally, our objection to SFAS 123 remains that the value determined under SFAS 123 is too unreliable and the required accounting does not fit under generally accepted accounting principles. We observe that the ED states that “it is not seeking comments on ... whether the stock options granted to employees should be measured at something other than fair value” and, we suspect, no one really wants to go over these issues again.

Responses to specific questions follow:

PRIMARY SIMILARITIES AND DIFFERENCES FROM INVITATION TO COMMENT

Issue 2: In measuring the fair value of stock options granted to employees, both Statement 123 and the Proposed IFRS require use of an option-pricing model that takes into account six specific assumptions. The standards provide supplemental guidance for use in selecting those assumptions.

Issue 2(a): Do you believe that an accounting standard should mandate the use of an option-pricing model for measurement purposes? If not, what other approaches do you believe would provide more consistent and reliable estimates of the fair value of employee stock options granted and why?

We do not believe that an accounting standard should mandate the use of an option-pricing model for measurement purposes because currently there is no option-pricing model that reliably values employee stock options. **Trading** option-pricing models:

- A. Do not consider non-traded options;
- B. Do not adequately consider restrictions on trading, transferability and the ability to forfeit the options before expiry; and,
- C. Are dependent on highly subjective future-oriented assumptions.

However, notwithstanding the above, we recognize that a viable valuation model for determining the fair value of employee stock options needs to be agreed upon or developed. Without specific guidance from the FASB or the IASB as to an appropriate and reasonable fair valuation model, the method of valuing these employee stock options will be left to the wide discretion of management. While this principle-based approach can be used, we are troubled by the future comparability between financial statements of similarly situated companies as well as the increased opportunity for abuse.

In conclusion, until an option-pricing model is identified which encompasses the variables inherent in determining the fair value of a stock option held by an employee, we remain concerned about the FASB and the IASB allowing companies to report fair valuation amounts. Our concern results from the fact that the absence of a reliable method of accounting for the “value” of an employee stock option effectively forces an inaccurate valuation to be reflected in the financial statements.

Below we have provided expanded comments on our objection to the use of a trading option-pricing model.

A. The traded option-pricing model does not consider non-traded options

Traded option-pricing models build on binomial share pricing, then constructing a portfolio of shares and options such that the cash flows associated with buying shares and writing call options equate to a guaranteed amount. Under a traded option-pricing model, the production of the value that is guaranteed, whatever the individual values of the components, must involve the buying and selling of the other so that their individual movements can offset (hedge) each other. The sum of the present value of the hypothetical instruments in the “hedge portfolio” produces the present value of the options. In contrast, employees usually cannot and do not write stock options on their company’s stock.

Also, a traded option-pricing model provides an optimal value, assuming traders are rational individuals that seek and can optimize their portfolio. In contrast, employees may not seek to optimize their portfolio. Further, employees cannot optimize their portfolio because of trading, transfer and forfeiture restrictions.

In addition, a traded option-pricing model assumes no transaction costs: Transaction costs would increase the cost to exercise an option and decrease the option value and such costs may exist. There are brokerage, processing and regulatory fees for so-called “cashless” exercises. Moreover, the vesting requirements conceptually constitute a cost to exercise, economically akin to the opportunity cost incurred in waiting on a line for a commodity that will be sold to anyone at the same price on a first-come, first-served basis.

Further, stock price appreciation and dividends represent the total rate of return on investment. Generally, when dividends are paid, share price falls. To reflect this in a traded option-pricing model, dividends must be excluded; they decrease the option value. The dividend assumption employed in a traded option-pricing model does not consider the dividend effect in relation to vesting requirements. If it did, it would have to acknowledge that there is no possibility of obtaining the dividend in the vesting period.

Lastly, a traded option-pricing model does not directly consider the impact of:

- The different tax consequences on Incentive Stock Options and Non-Qualified Stock Options under the IRS Code; and, to a lesser extent,
- The ability to elect “tax holidays”;
- Graduated income tax rates; and,
- Intended and announced treasury stock buybacks.

Obtaining a tax advantage or the existence of a treasury stock buyback may be seen as theoretically the same as obtaining a dividend, and, consequently, decreasing the option value.

B. The option-pricing model does not adequately consider restrictions on trading, transferability and the ability to forfeit the options before expiry

Many (of the few) academic researchers interested in SFAS 123 employee stock option valuation (Carr, Hull, Linetsky, Rubinstein and White) have concluded that the SFAS 123 valuation that depends upon expected term to factor out the restrictions on employee stock options significantly overstates the value of the SFAS 123 option or, that the factors involved in predicting exercise are complex (Huddart). We have problems with their parsing out certain effects, but we do agree that they have at least contemplated most of the factors that the FASB did not.

We suspect that other factors important to employee exercise behavior include:

- Age (including retirement eligibility);
- Company policy that may require holding stock upon option exercise;
- Current and expected future taxation;
- Financial savvy (including industry employee character)
- Personal wealth (liquidity needs);
- The relationship of stock price to the general stock market prices (“beta” and alternative investments);
- The degree of risk diversification (including the effect of previous grant “overhang” and alternative employment).

C. The option-pricing model is dependent on highly subjective future-oriented assumptions

The FASB use of a traded option-pricing model requires predicting the exercise date of an option. Exercise is a function of many things, all of which are future events that are not controllable, e.g., stock prices. We appreciate the FASB guidance to use historical exercise patterns for valuing long-dated options and encourage the IASB to do the same.

The FASB use of a traded option-pricing model requires that a company predict future stock price volatility. We appreciate the FASB guidance to use historical volatility for valuing long-dated options and encourage the IASB to do the same.

The FASB use of a traded option-pricing model requires predicting future long-dated dividends. Dividends are a function of many things, all of which are future events that are not necessarily controllable, e.g., net income.

We encourage the FASB to discuss the valuation of traded options with option traders to understand that such valuations are somewhat recursive, with values constantly being adjusted to reflect other’s valuations. In particular, we encourage the FASB to discuss the valuation of traded options with option traders just when the market becomes volatile. Then, after these discussions, the FASB should understand that Black-Scholes values are simply a starting point and not a definitive value.

Issue 2(b): If you agree that an accounting standard should mandate the use of an option-pricing model, do you believe that a particular model should be mandated? If so, which model should be required to be used and why?

We understand that the Black-Scholes traded option-pricing model and the binomial traded option pricing model with a large number of “steps” produce very similar results for very short term, i.e., under six months, traded European options-- without trading restrictions. We are unaware of any other generally accepted models.

Having said that, we understand both such models fall apart when options are way-out-of- or way-in- the-money, with the binomial model seemingly more reliable when way-out-of-the-money. We also understand that the binomial model portends to be more accurate with large dividend paying companies. Further, despite the Invitation’s statement that option-pricing models are used to value long-dated options (21), we are uncertain of their validity, e.g., the “LEAP’s” market is not a orderly market: it diminishes in times of significant uncertainty, it usually only extends out a maximum of 2.5 years in stable markets and, involves only a small number of companies. We understand that the Black-Scholes traded option-pricing model is not as good a predictor for traded options with maturities after six months; we suspect that this is because of the very short term time horizon of the typical trader and the recursive nature of traded options valuations (see our response 2a C.)

We are concerned that the FASB is asking this question as it seems to confirm our belief that SFAS 123 requires companies to report or disclose unreliable amounts in its financial statements that are likely inconsistent with the values reported or disclosed by similarly situated companies.

However, as we await the solution of the seemingly intractable issue of reliable measurements, we do believe that the FASB could minimize the issue of inconsistency by requiring the use of a single option-pricing model to value employee stock options - - for example, the Black-Scholes modified for dividends applicable to a European option. While the binomial model portends to be more accurate with large dividend paying companies, we appreciate the averaging employed in the Black-Scholes model to better reflect the uncertainty of estimated dividends.

If the FASB question is really whether one uses a “principles-based” standard or a “rules-based” standard, this accounting requires a rules-based approach in identifying the use of a FASB-created option-pricing model and in identifying the supplemental guidance for use in selecting those assumptions employed in the model. Without such guidance, people can come to different values-- just as the FASB and the IASB have done.

Issue 2(d): Statement 123 and the Proposed IFRS require that certain modifications be made to the outcome of an option-pricing model to address certain features of employee stock options. If you believe that other modifications should be made to improve the consistency and reliability of those outcomes, please describe those modifications and why they should be required.

We believe that no currently existing option-pricing model adequately values an employee stock option; therefore, we are concerned about ascribing these dubious values in externally reported financial statements.

However, if the FASB proceeds with the use of a traded option-pricing model, we believe other modifications should be made to improve the consistency and reliability of option valuations to reflect the restrictions on the exercise or transfer of employee stock options. We believe the use of the expected term to exercise the option does not adequately reflect the decrease in option value consequent to the restrictions.

The failure of a pricing model to adequately factor in a reduction in value to reflect the restrictions that are inherent in employee stock options actually results in the SFAS 123 value not being a fair market value—the stated principle behind SFAS 123.

We recognize that many people have noted this issue about the overstatement in value required by the FASB both during and after the development of SFAS 123. The problem appears to be unresolvable in practice because unlike the Black-Scholes model that has been validated against actual traded stock options by the authors (specifically excluding options with restrictions on trading) and others, the diminution in employee stock option value can not be validated against actual traded stock options. Therefore, the value can only be determined theoretically.

We have three suggestions, which represent alternatives distinguished by different hypotheses on what point in time there is a willing “buyer” and a willing “seller” for the exchange of “fair value”, tempered by operational (objective) criteria.

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Alternative #1

We suggest the value of an option can be calculated as the net of the:

- SFAS 123 traded option-pricing model value (adjusted for transaction costs under Issue 2a) using an expected exercise date, less the
- SFAS 123 traded option-pricing model value (adjusted for transaction costs under Issue 2a) using the vesting date and excluding predicted dividends and including the effect of taxes and intended treasury stock buybacks (see previous discussion under Issue 2a).

The difference between the two option-pricing model values represents the value of an option when it can be exercised **through** its exercise date. In essence, this method hypothesizes that an option has no value during the vesting period when it can be forfeited or it cannot be traded or transferred. The point in time where there is a willing buyer and seller is between the vesting date and the expected exercise date.

The advantages of this method are that:

- It better reflects the reduction in value for the restrictions, and the
- The vesting date is an objectively determined factor.

This method also addresses the anomaly that options with restrictions requiring a minimum holding period, i.e., vesting period, have a value greater than options that are not vested.

The disadvantage of this method is that there is no direct method to distinguish the reduction in the value of the option due to the restrictions.

Alternative #2

We suggest the value of an option can be calculated as the:

- SFAS 123 traded option-pricing model value (adjusted for transaction costs under Issue 2a) using the vesting date and excluding predicted dividends (see previous discussion under Issue 2a), less the
- Predicted expected value of the stock price depreciation.

In essence, this method hypothesizes that an option has no value after it is vested and, that the economic cost associated with when an employee stock option can be forfeited or cannot be traded or transferred is reflected by the probable loss incurred by the required holding of the stock.

Hypothesizing that an option has no value after it is vested is consistent with the FASB 128 required diluted earnings per-share (EPS) calculations that assumes employees will exercise for value when options are in-the-money. It also reflects the company's point of view on the option; once the option is in-the-money, it is no longer optional.

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One way of looking at the probable loss incurred by the required holding of the stock is to look at the hypothetical penalty imposed on an option holder who is unable to trade or transfer the options. This penalty is the probability of a loss in the stock price; the inability to exit the investment before it declines in value. Assuming a normal distribution of stock prices, the stock price volatility (the standard deviation of prices) half the time the price will be above the mean stock price and half the time is will be below the mean stock price. This Alternative #2 requires that company apply one-half of the stock price volatility to the stock option exercise price granted at-the-money and reduce the value of the option by that amount.

This reduction for the probable loss incurred by the required holding of the stock is necessary because the typical option valuation mathematically operates in the First Quadrant, where all determined values are positive numbers; the squaring in the derivations of the standard deviation gets rid of any negative values.

The advantages of this method are that:

- It better reflects the reduction in value for the restrictions, and the
- The vesting date is an objectively determined factor;
- There is a direct method to distinguish the reduction in the value of the option due to the restrictions;
- The shorter expected term increases the likelihood of better predictions of stock price volatility and dividend rates.

This method also addresses the anomaly that options with restrictions requiring a minimum holding period, i.e., vesting period, have a value greater than options that are not vested.

The disadvantages of this method are that it depends solely on the company (seller) point of view; the employee (buyer) point of view, that it can exercise at vesting date or later, is not accommodated.

Alternative #3

We suggest the value of an option can be calculated as the:

- SFAS 123 traded option-pricing model value (adjusted for transaction costs under Issue 2a) using the vesting date and excluding predicted dividends, less the
- Average change in value for similar SIC industry stocks when such stocks begin to trade, which is calculated by relating the traded value of stock X to the value of non-traded Stock X analogized to a traded stock, scaled to similar net assets and/or or net income. A possible focus is to look at U.S stock traded in Europe that is restricted from trading in the U.S., scaled for volume and possibly other factors.

In essence, this method hypothesizes that an option has no value after it is vested and, that the economic cost associated with an employee stock option can be forfeited or

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cannot be traded or transferred is reflected by the average change in value of analogous stock prices once the restrictions are lifted.

The advantages of this method are that:

- It better reflects the reduction in value for the restrictions, and the
- The vesting date is an objectively determined factor;
- The shorter expected term increases the likelihood of better predictions of stock price volatility and dividend rates.

This method also addresses the anomaly that options with restrictions requiring a minimum holding period, i.e., vesting period, have a value greater than options that are not vested.

The disadvantage of this method is that there is no direct method to distinguish the reduction in the value of the option due to company-specific restrictions.

Issue 2(e): Do you believe that additional guidance for selecting the factors used in option-pricing models is necessary to provide added consistency and comparability of reported results? If so, what types of guidance should be provided and in which areas?

In addition to providing consistent guidance about which factors to consider, we believe also that guidance would be required for determining the amount of the factors because the amounts cannot be validated by observable experience and different reasonable people have different views on determining the amounts. If the basis for determining the amount of a factor were better defined, it would facilitate comparability among companies.

Specifically, the predicted exercise term should be the average historical exercise term equal to the term of the grant being valued, unless the exercise term will be truncated, e.g., planned divestiture and accompanying contractual term limit on the options. Anything else is not objectively determinable.

The predicted dividend rate should be the average historical dividend rate of increase or decrease applied to the expected term, unless the predicted dividend will be changed. In this case, the known changes would be factored into the average historical dividend rate. Anything else is not objectively determinable.

We suggest using historical data for the predicted exercise term and dividend rate and because that is likely the data the company contemplates when the grant is made.

The predicted volatility rate should be the traded volatility rate even though traded volatility represents a period shorter than the predicted exercise term. Anything else is not objectively determinable.

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Also, we suggest using market data for the predicted volatility because, again, that is probably what the company will have considered when the grant is made.

Finally, we think that there should be no differentiation among classes of employees, e.g., executives and non-executives. Such distinction leads to the odd conclusion that the same option has different values to different sets of people. Since, as the IASB notes, the FASB focus is the value of the option to the company, it is inconsistent to have the value depend on an employee's view.

Issue 3: Do you believe that employee and nonemployee transactions are distinct and, therefore, warrant different measurement dates for determining the fair value of equity instruments granted? If so, why? If not, why not?

Yes. Employee option grants often, but not always, represent non-negotiated contracts between parties with unequal bargaining power, whereas nonemployee transactions often, but not always, represent negotiated contracts between parties with equal bargaining power.

Issue 4: Do you believe that the fair value of equity awards granted to nonemployees that include performance conditions can be measured with sufficient reliability to justify a grant-date measurement method? If so, why? If not, why not?

No. Not all contingencies can be measured.

Issue 5: Do you believe the notion of issuance is conceptually of importance in the design of a standard on stock-based compensation? If so, why? If not, why not?

Yes. However, the notion of vesting and exercise is also important. The issue is which accounting appropriately blends these three important concepts. It is this blend that negates the SFAS 123 approach that the value of an employee stock option is solely a function of the valuation factors at the grant date.

Issue 6: Do you believe an equity instrument subject to vesting or other performance conditions is issued, as defined by Statement 123, at the grant date? If so, why? If not, why not?

No. There is no exchange at the grant date.

An employee stock option is a contingent transaction. The FASB posits that it is compensation. However, there is another view that sees the granting of options as a risk-sharing mechanism by the company with its employees. That is, if share prices increase, employees are permitted to become part owners of the company mostly through "sweat

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equity” and a (perhaps, relatively small) cash contribution. On the other hand, if share prices decrease, employees are not permitted to become part owners of the company.

Issue 7: Do you believe that the effect of forfeiture should be incorporated into the estimate of fair value per equity instrument (IASB approach)? If so, why? If not, why not? (Refer to page 28.)

Yes. The effect of forfeitures should be incorporated to reduce the estimate of fair value. This is because the reduction reflects that options are not all upside. Given the FASB view that employee options are employee compensation, then options are a substitute for cash compensation. If an option is forfeited, the employee loses the effect of the substitute.

Further, the effect of forfeitures should be trued-up through the maturity date of the grant. In this fashion, a company reports that employees who received grants actually received no value.

Issue 8: Should failure of an award holder to satisfy the conditions that entitle the holder to retain or receive the promised benefits affect the amount of compensation expense that should be recognized related to that award? If so, why? If not, why not?

Yes. Employee stock options are contingent transactions. Failure to achieve those conditions gives the option zero value.

Issue 10: Which of the two attribution methods described by the standards do you believe is more representationally faithful of the economics of stock-based compensation arrangements and why?

See Issue 7. Factoring in forfeitures into the value of the option conceptually better reflects the value of the option. However, the IASB does not go far enough. It should factor in all forfeitures, including those after the vesting date. Having to work until exercise is effectively an additional vesting requirement.

Practically, it is impossible to accurately predict actual forfeitures. Accordingly, any value determined should be determined, then “trued up” later to reflect the prediction error. This is not exercise date accounting, but simply a way of correcting a prediction (an estimate).

Issue 11: Statement 123 does not ascribe value to services received in exchange for equity instruments that are later forfeited (that is, recognized compensation expense is reversed upon forfeiture), whereas the Proposed IFRS ascribes value to such

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services through its units-of-service attribution method (that is, recognized compensation expense is not reversed upon forfeiture). If you support the Proposed IFRS's view, do you believe the units-of-service method ascribes an appropriate value to services received prior to forfeiture? If so, why? If not, why not?

No. It is impossible to predict future services.

Issue 12: Do you believe that the actual outcome of performance awards should affect the total compensation expense incurred by an enterprise? If so, why? If not, why not?

Yes. See Issue 4.

Issue 13: Do you believe that this issue is important in considering an attribution model's validity? If so, why? If not, why not?

Yes. See Issue 4.

Issue 15: Do you believe that all of the tax benefits derived from stock-based compensation arrangements should be recognized in the income statement? If so, why? If not, why not?

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Yes. Not only does the tax benefit reduce the amount of **income** taxes, i.e., it is not a tax effect on capital, but it also allows a company to “true up” its initial estimate of the tax benefit against the pro forma compensation expense.

Issue 16: As discussed in paragraph 83 of this Invitation to Comment, the Proposed IFRS expands on the disclosure requirements in Statement 123. Do you believe that those expanded disclosures would be more informative to users of financial statements? If so, why? If not, why not? (Which of the disclosure requirements should be eliminated or modified in that case?)

No. Bullets one, three and four only serve to buttress the determination of the disclosed option valuation assumptions, which presumably was already done or considered. It is irrelevant to disclose the support for the valuation assumptions.

If the FASB makes changes as we noted earlier in Issue 2(e) and Issue 10, there would be no need for first, second and third bullet point disclosures.

We are uncertain of the meaning of Paragraph 85 as these disclosures are currently required.

We do not see the need for a sensitivity analysis disclosure (86) as financial statement users can construct their own analysis if they need to from current disclosures.

Lastly, implicit in the traditional application of the Black-Scholes formula is that the value determined is based on assuming that 68% of the observations fall within one standard deviation of the expected value when drawn from a normal distribution. Given the importance of this assumption, it should be noted to the average financial statement user. However, as you may have already guessed, we think this assumption is so fragile that income statement recognition is not appropriate nor is financial statement disclosure.

SECONDARY SIMILARITIES AND DIFFERENCES FROM APPENDIX A

Issue A2: Do you believe that a probability-weighted average amount of the range should be used when no amount in the range is better than any other? If so, why? If not, what other amount within the range would you propose when no amount in the range is better than any other? Why?

No. We believe this is a theoretical abstraction; most real world situations have different probabilities; rarely does one have equal probabilities for all scenarios. Since this is the case most of the time, an average is inappropriate.

Issue A3: Do you agree that option-pricing techniques have sufficiently evolved since Statement 123 was issued to address reload features and, if so, should Statement 123's requirements be changed? If not, why not?

A reload perforce requires one to estimate several sets of investor and market behavior. We think there are enough problems in evaluating just one fixed grant. We have read the IASB-cited paper on reloading options and have not found it persuasive. At the least, the paper does not adequately discuss the problems identified by other academics and others in valuing employee stock options.

If the FASB elects to distinguish reload grants as requiring a higher value than a fixed grant, the FASB should make the standard operational by providing specific valuation guidance. See Issue 2e.

Issue A4: Do you believe there are circumstances in which an entity may not be able to reasonably estimate the fair value of equity instruments at the grant date? If so, please provide examples of such circumstances and describe how those equity instruments should be accounted for until a reasonable estimate is determinable.

There are circumstances in which an entity may not be able to reasonably estimate the fair value of equity instruments at the grant date ... essentially any time there is a restriction on using the equity instrument. See Issue 2a.

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Issue A5: Do you believe there is a single grant date or multiple grant dates for the preceding [reload] example? Why?

There is a single grant date because that is the date all the known terms and conditions are known-- even though the amounts are not known. See Issue 5.

Issue A6: Should SARs be measured at fair value rather than intrinsic value? If so, why? If not, why not? (Refer to page 58.)

No. SARs should be measured at intrinsic value because they require settlement in cash. Further, using a traded Black-Scholes model and applying a zero exercise price doesn't work.

Issue A8: Do you believe that an accounting standard on stock-based compensation should include provisions for distinguishing between repricing and other modification events? Why? (Refer to page 61.)

Yes. In the U.S., FIN Interpretation No. 44 was needed to distinguish between repricing and other modification events.

Issue A9: Which method of accounting for settlements of unvested awards do you believe is more representationally faithful and why? (Refer to page 62.)

Acceleration of vesting, subject to a true-up for actual forfeitures. See Issue 10 and Issue 11.