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From: Mike Gibson [MGIBSON@midstatebank.com]
Sent: Monday, May 17, 2004 7:19 PM
To: Director - FASB
Subject: FASB File Reference 1102-100

Letter of Comment No: 2485
File Reference: 1102-100

May 17, 2004

Dear Financial Accounting Standards Board;

This letter is to inform you that the Senior Management of Mid-State Bancshares are strongly opposed to the mandatory expensing of Stock Options. As we talk to other Banking institutions around the State and indeed, around the Country, they are opposed to this proposed accounting standard as well.

While we support the notion of keeping the FASB independent from governmental oversight, failure to withdraw the proposal for the mandatory expensing of stock options may lead to Congress passing the Stock Option Reform Accounting Act and creating the dangerous precedent of congressional oversight of the FASB. We urge you not to risk the Board's independence.

We believe that the proposed mandatory expensing of stock options is flawed for a number of reasons:

- * The "cost" of options is already reflected in the financial statement in the dilution of earnings per share.
- * The proposal is poor accounting - stock options reflect future equity issuance through additional share issuance, not current income statement expense. Dilution is already picked up in the diluted earnings per share calculation.
- * The plan will not improve corporate governance and will not help investors gain a complete understanding of a company's finances.
- * No valuation model for options (e.g. lattice models or Black-Scholes) is reliable, consistent or comparable.
- * If companies are allowed to adopt the FASB's different valuation models, inconsistent valuations and investor misinformation will be the result.
- * Broad based options plans, such as those in place here at Mid-State, help align the interest of employees with that of their company. Implementation of mandatory expensing will likely lead to the termination of ours and other companies stock option plans.

We understand that the overwhelming number of comment letters that the FASB has received to date are opposed to the mandatory expensing of stock options. Notwithstanding the large accounting firms support for the proposal, Mid-State joins these other commentators in opposition. Please feel free to contact me if you have any further questions or seek clarification.

Sincerely,

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