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VIA E-MAIL

June 30, 2004

Ms. Suzanne Q. Bielstein Director of Major Projects and Technical Activities Financial Accounting Standards Board 401 Merritt 7 Norwalk, CT 06856-5116

Dear Ms. Bielstein:

Re: Exposure Draft of a Proposed Statement of Financial Accounting Standards, Share-Based Payment (File Reference No. 1102-100)

Please accept this response on behalf of Royal Gold, Inc. ("Royal Gold"), to the request for public comment on whether or not stock options should be expensed. Royal Gold is the leading publicly traded precious metals royalty company. Royal Gold owns and manages royalties on precious metal mines. Through its royalty program, Royal Gold provides investors with a unique opportunity to capture value in the precious metals sector.

As a precious metals royalty company with 14 highly skilled employees, we are strongly opposed to the expensing of stock options for several reasons. However, we feel it would be beneficial to first articulate, as context to our opposition, our understanding of the FASB's objectives with respect to expensing stock options.

In practice, any change to an accounting treatment and the respective change(s) to the subsequent presentation of the financial statements must strive to improve the accuracy and transparency of the financial statements along with ensuring the financials accurately portray the company's financial position. Such changes should provide the reader (e.g., equity investors, creditors, regulators, and the public) with relevant, reliable, and useful information that they can use in making sound business or investment decisions. The FASB has commented that expensing stock options will do just this; give the readers a more accurate portrayal of a company's financial position. It has also been proposed that

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the expensing of stock options will combat corporate malfeasance and further prevent accounting scandals such as those that occurred at Enron and WorldCom from happening again.

Royal Gold feels that neither objective will be achieved by the mandatory expensing of stock options. Rather, Royal Gold believes the expensing of stock options will only undermine the credibility of our financial statements due to inaccurate valuations (e.g., the Black-Scholes or the binomial method) and impede Royal Gold's ability to attract and retain talented employees.

Expensing stock option grants does <u>not</u> provide a more accurate view of a company's financial statements.

The purpose of the Statement of Operations is to summarize a company's earnings and losses by matching the revenues earned against the expenses necessary to generate these revenues. Stock option expensing is not appropriate in this context given that options require no cash outlay and do not accurately reflect the "cost of operation." Further, even if stock options were to be expensed, thus included in the Statement of Operations, there is no proven effective method for valuing these stock options. Models such as the Black-Scholes or the binomial method are considered unreliable, inconsistent, and are wholly inaccurate indicators of value. Ultimately, the "cost" of stock options is already reflected in the Statement of Operations, within the diluted earnings per share calculation. Incorporating a miscalculated, non-cash expense in the Statement of Operations will devalue the Statement of Operations as a viable tool for investors to use in evaluating a company's financial position.

Expensing stock option grants will not prevent corporate malfeasance.

The accounting scandals that occurred at Enron and WorldCom would not have been prevented or foreseen by requiring stock options to be expensed. If we want to prevent similar scandals in the future, there are many other pressing concerns that need to be addressed versus whether or not stock options should be expensed. Only ethical management, sensible corporate governance, adequate internal control structures, and comprehensive disclosures will prevent further scandals from taking place.

Stock option grants are a key tool in our recruitment and retaining of talented employees.

Stock options are a key method of compensation that helps companies like Royal Gold recruit, retain, and motivate its talented employees. Mandatory expensing will discourage many companies, including Royal Gold, from granting stock options in the future, thus discouraging entrepreneurship and business development. The expensing of

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stock options is more than an accounting issue; it is an economic issue that would have far-reaching negative consequences on the competitiveness and innovation of many U.S. industries.

While Royal Gold does support many of the recent initiatives to clarify and better govern financial reporting, Royal Gold strongly opposes the mandatory expensing of stock options. Royal Gold does not see any benefit to this proposal, not only with respect to Royal Gold's business operations, but also to the overall economy in which Royal Gold operates.

Sincerely,

Stefan L. Wenger

Treasurer and Chief Accounting Officer

cc: Senator Wayne Allard