

Karen Salmansohn

Letter of Comment No: 41
File Reference: 1102-001
Date Received: 1-23-03

From: Director - FASB
Sent: Thursday, January 23, 2003 3:45 PM
To: Karen Salmansohn
Subject: FW: File Reference No. 1102-001

-----Original Message-----

From: Kevin Mitchell [mailto:kevin.mitchell@gulfmarkoffshore.com]
Sent: Thursday, January 23, 2003 2:58 PM
To: Director - FASB
Subject: File Reference No. 1102-001

In your review of the proposal regarding the mandatory expensing of options, please consider the following:

1. The use of Black Scholes or other common option pricing methods is entirely misleading.
 - Options that are valued under these methods are very different from employee stock options in that (a) They can be sold thus adding value to the option (b) They have no blackout periods which are common to employee stock options which minimizes the comparative value of the employee options. (3) They do not have a vesting schedule and are therefore available immediately upon grant. (4) They do not consider the possibility of forfeiture due to termination.
 - The Black Scholes model was never intended for use on employee stock options
2. The granting of options further allies management with the shareholders.
 - This is the key driver behind the determination on the number of options to grant. Boards of directors do not run an option model calculation to determine the number of shares to grant. Instead they review the overall percentage of management ownership and gauge the grants accordingly.
3. The expensing of options leads to an equity statement inconsistency.
 - If options were expensed, the balance sheet would essentially reflect a reclassification between the paid in capital and retained earnings. This would occur even if shares were never issued as in the case of forfeited, never vested or out of the money options. There would be no economic impact on the company in the case of unexercised options but there would be a negative effect reflected in the equity of the company.

Thank you for the opportunity to comment on the proposition.

Kevin Mitchell
Controller
GulfMark Offshore, Inc.