



Letter of Comment No: 4816
File Reference: 1102-100

June 29, 2004

Mr. Lawrence W. Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
P.O. Box 5116
Norwalk, CT 06586-5116

Dear Mr. Smith,

We would like to submit the following commentary with regard to the FASB exposure draft requiring the expensing of stock options. We feel strongly that the expensing of stock options, as proposed by the FASB, is ill-advised. Our concerns include the theoretical concept of expensing options in the first place, the ambiguities and significant estimates put forth in the exposure draft and the practical cost implications, especially to small companies such as First Cash Financial Services, Inc. (Nasdaq: FCFS).

We believe strongly that stock options do not represent a true expense to a company. Issuing an option does not create a liability for the company nor does it ever create a cash outflow for the company. The issuance of a stock option is a "capital" transaction, not an income statement entry. It seems that even the FASB continues to be torn between whether stock options are "capital" or "income statement" transactions, which is evidenced by the proposed accounting for tax benefits related to stock options (which reflects a mix of both "capital" and "income statement" accounting treatments).

In addition, there is no way to predict if the issuance of stock option will ever create value to the recipient. Under the proposal, the Company must assume some value is being created and expense it, yet if the value is never created, there is no mechanism to reverse the expense. In addition, the dilutive effect of issuing stock options is currently accounted for in the fully diluted earnings per share calculation. Combining an expense approach on top of the dilution calculation causes a negative "double-counting" effect on earnings per share.

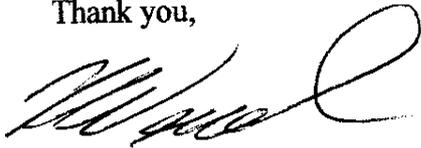
The FASB is creating many new inconsistencies and impracticalities in the approach being proposed. This situation is highlighted by FASB's inability identify a single, universal model for the calculating option expenses. The "preferred" binomial model in particular requires an inordinate number of assumptions and estimates, which could

vary results widely between companies. The inconsistent application of these models will cloud, rather than clarify, the transparency of reported earnings numbers across companies. In addition, the pervasiveness and complexity of the assumptions will surely invite greater potential for "earnings management".

As a smaller company, probably the single most significant issue we have with this proposal is the administrative cost and time requirements for implementing and maintaining the proposed stock option expensing approach. The complexity of the preferred binomial approach will require First Cash to incur significant incremental consulting fees in order to develop an appropriate lattice model. In addition, the new approach requires that we develop a model to project the future stock volatility model. The additional expenses will not stop with the implementation fees, but also increase our Sarbanes Oxley Section 404-related expenses and our independent audit fees. These represent real incremental costs that will be incurred by First Cash. These costs are substantial by themselves, but when added to other new costs associated with other recent accounting pronouncements/regulations such as FIN 46 or Sarbanes Oxley Section 404, represent a tremendous burden to small companies such as First Cash.

In summary, stock options have been a vital catalyst to the growth of First Cash. Our Company, which started with four small stores only 15 years ago, now has over 250 stores and continues to grow at a rate that exceeds 25% a year. We now have over 1,500 employees in eleven states. For the issues outlined above, the potential dampening effect of the stock option expensing represents a very real threat to the competitiveness of growing companies such as ours. We urge you to carefully consider these issues before proceeding with stock option expensing as proposed in its current form.

Thank you,



Rick Wessel
President



Doug Orr
Chief Financial Officer