

**ikon****Letter of Comment No: 6505**  
**File Reference: 1102-100**

---

**From:** Director - FASB  
**Sent:** Tuesday, July 13, 2004 3:09 PM  
**To:** ikon; Karen Salmansohn  
**Subject:** FW: Comment on Stock Options Expensing

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

**From:** Lutes, Deby [mailto:dlutes@fbnw.com]  
**Sent:** Tuesday, July 13, 2004 2:58 PM  
**To:** Director - FASB  
**Subject:** FW: Comment on Stock Options Expensing

FirstBank Northwest has used options in the past as a way for our employees to have ownership in the bank. We stopped issuing options when FASB started talking about the mandatory expensing of options.

There are several reasons why stock options should not be expensed, which include:

1. No valuation model for options is considered comparable or consistent. (e.g. the Black-Scholes or lattice model)
2. Will not help investors gain a better understanding of a company's finances because different assumptions in the different models will cause different results on the financial statements.
3. Stock options are very different from market traded options. It would be very difficult to create accurate value and would undermine the current financial statements based on available methodologies.
4. If companies are allowed to adopt FASB's different valuation models, inconsistent value will cause investor misinformation.
5. There is no direct evidence that unethical and illegal corporate behavior is in any way tied to stock option plans.

Thank you.

Larry K. Moxley, Chief Financial Officer

LKM:dl

*Deby Lutes*  
*Executive Assistant, Corporate*

**FirstBank Northwest**

1300 16th Avenue  
Clarkston, WA 99403  
Phone: (509) 295-5150  
Fax: (509) 295-5151  
E-mail: [dlutes@fbnw.com](mailto:dlutes@fbnw.com)  
Web: <http://www.fbnw.com>

**CONFIDENTIALITY STATEMENT:** The information contained in this e-mail transmission is confidential and is intended only for the recipient named above. If the reader of this message is not the intended recipient or the intended recipient's agent, you are hereby notified that any disclosure, copying, distribution or the taking of any action in reliance on the contents of this information (other than to the intended recipient) is strictly prohibited without the expressed written permission of FirstBank Northwest.

If this transmission has reached you in error, you are asked to notify us immediately at the telephone number shown above, and delete the e-mail transmission. Thank you for your cooperation.