

May 17, 2004

To: Directors of FASB

I am writing to express my strong objections to FASB's proposals related to mandatory expensing of stock options. As president of a successful community bank that has long employed stock options as a means to retain and reward its employees, I am very concerned about the impact this proposal will have on our shareholders, the investment community and our employees.

Letter of Comment No: 2545 File Reference: 1102-100

Over 25% of our bank's employees participate in our stock option plan. Our Board of Directors is convinced that stock options and employee ownership of stock through our 401k plan have been key factors in our ability to retain a highly qualified and motivated staff, which in turn has resulted in sizable economic benefits for our community and our shareholders. We are greatly concerned that FASB's proposals will jeopardize our ability to offer stock options and will provide no benefit to shareholders or investors. In fact, FASB's proposal is likely to create confusion among investors and detract from financial statement clarity.

Stock options have been successfully used in many industries to attract talent and more closely align interests of employees with those of their companies. I am concerned that mandatory expensing will discourage use of stock options and thus have far-reaching negative economic consequences on our bank and on many U.S. industries.

Secondly, it is apparent that there is strong disagreement over the accuracy of valuation models for options. Without confidence in these models, mandatory expensing would in fact undermine the credibility of financial statements and create confusion among investors.

Finally, the cost of options is already reflected in financial statements through the dilution of earnings per share.

As documentation of the favorable impact that stock options and employee stock ownership have on the success of a business, I have attached a Stock Appreciation Table which shows the growth of CityBank stock over our 30 year history. Stock options have played a critical role in this growth.

I strongly encourage you to reconsider your proposals related to mandatory expensing of stock options. These proposals will damage innovation especially in small businesses, will cause economic harm, and will not benefit investors or shareholders.

Thank you for your consideration.

Sincerely.

Conrad Hanson President

Attachment





Stock Appreciation Table

The table below shows the appreciation in value of CITYBANK stock if 100 shares were purchased in 1974, the year CITYBANK opened. Stock dividends and a stock split have increased the original 100 shares to 17,758 shares. On a per share equivalent basis, cost has decreased from the original \$29.00 per share to \$.16 per share. The current fair market value per share makes the original \$2,900 investment in 1974 worth \$609,099 at March 31, 2004. Finally, cumulative cash dividends paid on the original 100 shares and the additional shares received as stock dividends and splits total \$66,562.38, meaning the original \$2,900 investment has been more than twenty-three times recovered through payments of cash dividends.

MARCH 2004 100 Shares of CITYBANK Stock Acquired in April 1974 Cost: \$29.00 per share Total Cost: \$2,900.00

Date	Stock Dividend	Cumulative Shares	Adjusted Cost Per Share	Fair Market Value Per Share	Total Value	Cash Dividend Per Share	Annual Cash Dividend	Cumulative Dividend (1)
4/74		100	\$29.00	\$29.00	\$2,900			
3/79	50%	150	19.33	31.00	4,650			
3/80	10%	165	17.58	38.00	6,270			
1/81	20%	198	14.65	50.00	9,900	\$.40	\$79.20	\$79.20
4/82	20%	237	12.24	50.00	11,850	.40	94.80	174.00
1/83	20%	284	10.21	50.00	14,200	.40	113.60	287.60
1/84	20%	340	8.53	50.00	17,000	.40	136.00	423.60
1/85	10%	374	7.75	50.00	18,700	.40	149.60	573.20
1/86	20%	448	6.47	50.00	22,400	.30	134.40	707.60
1/87	20%	537	5.40	50.00	26,850	.24	128.88	836.48
1/88	10%	590	4.92	50.00	29,500	.23	135.70	972.18
2/89	20%	708	4.10	50.00	35,400	.51	343.38	1,315.56
1/90	20%	849	3.42	50.00	42,450	.48	407.52	1,723.08
1/91	20%	1,018	2.85	50.00	50,900	.48	488.64	2,211.72
1/92	20%	1,221	2.38	50.00	61,050	.60	732.60	2,944.32
1/93	20%	1,465	1.98	50.00	73,250	.80	1,172.00	4,116.32
1/94	20%	1,758	1.65	50.00	87,900	.80	1,406.40	5,522.72
1/95	20%	2,109	1.37	50.00	105,450	.80	1,687.20	7,209.92
1/96	30%	2,741	1.06	50.00	137,050	.80	2,192.80	9,402.72
1/97	25%	3,426	.85	60.00	205,560	.80	2,740.80	12,143.52
1/98	20%	(2) 12,333	(2) .24	(2) 24.00	295,992	(2) .28	3,453.24	15,596.76
1/99	20%	14,799	.20	37.50	554,962	.24	3,551.76	19,148.52
1/00	20%	17,758	\$.16	\$33.50	\$594,893	.25	4,439.50	23,588.02
1/01		17,758	\$.16	\$21.38	\$379,660	.29	5,149.82	28,737.84
1/02		17,758	\$.16	\$24.39	\$433,118	.34	\$6,037.72	\$34,775.56
1/03		17,758	\$.16	\$25.00	\$433,950	1.59	\$28,235.22	\$63,010.78
3/04	inger in the control of	17,758	\$.16	\$34.30	\$609,099	.20		\$66,562.38

HISTORICAL STOCK PERFORMANCE IS NOT AN INDICATION OF FUTURE PERFORMANCE.

- (1) Fractional Shares paid in cash as a result of stock dividends were disregarded in the preparation of this table.
- (2) Restated for Three-for-one stock split paid May 22, 1998.