

Karen Salmansohn

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From: Director - FASB
Sent: Friday, January 31, 2003 2:
To: Karen Salmansohn
Subject: FW: Comment on the expensing of options

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

From: Kristina Cashman [mailto:kristinac@pfchang.com]
Sent: Friday, January 31, 2003 2:28 PM
To: Director - FASB
Subject: Comment on the expensing of options

Hello

I am the CFO for a publicly traded restaurant company. I would like to comment on FASB's proposal to require companies to expense stock options.

I see two fundamental problems with requiring companies to expense stock options.

First, it will not rid the corporate world of unethical, self-serving executives. They will still unfortunately be out there. If I'm not mistaken, we require companies currently to expense 100% of their executive's salaries, bonuses, benefits and other "perks" (and even limit their tax deductions relating to these expenses). This in itself has not stopped many companies from handing out ridiculous compensation packages to those executives. Corporate boards and shareholders absolutely have to step in for those cases and demand a change. The same goes for handing out excessive stock option grants.

Secondly, given that there is no consistent method of determining the future value of stock options at any given time (even the Black-Scholes method has volatility and other subjective measures which are not consistently applied company to company), I believe that requiring the expensing of options will only make it more difficult to compare the true financial results of various companies. There will be companies that apply more aggressive assumptions into their option valuations than others, which will become a part of their bottom line results rather than just a disclose, making it more difficult for the average investor to compare those results between companies. Also, will options then still be included in the share count calculation used in determining EPS? If so, won't that be double counting?

I do not believe that requiring companies to expense stock options will accomplish the goals that I believe the FASB is attempting to address. Thanks for taking the time to hear me out.

Kristina Cashman
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