

EXHIBIT 1
Reporting Fixed Stock Options; Exercise Price Equal to Market Price

Options granted	100,000	Life of options	6 years
Expected forfeitures	0	Risk-free rate	7.5%
Market price at time of grant	\$50	Expected volatility	30%
Exercise price	\$50	Expected dividend yield	2.5%
Vesting period	3 years	Tax rate	30%

Fair value of options using a modified Black-Scholes option-pricing model: \$17.15

APB 25	SFAS 123		
Yr. 1 No entry	Yr. 1 Compensation cost	\$571,667	
	Add'l paid-in-capital—options	\$571,667	
	(100,000 x \$17.15 x 1/3 = \$571,667)		
	Deferred tax asset	\$171,500	
	Deferred tax benefit	\$171,500	
	(\$571,667 x .30 = \$171,500)		
Yr. 2 No entry	Yr. 2 Compensation cost	\$571,667	
	Add'l paid-in-capital—options	\$571,667	
	(100,000 x \$17.15 x 1/3 = \$571,667)		
	Deferred tax asset	\$171,500	
	Deferred tax expense	\$171,500	
	(\$571,667 x .30 = \$171,500)		
Yr. 3 No entry	Yr. 3 Compensation cost	\$571,667	
	Add'l paid-in-capital – options	\$571,667	
	(100,000 x \$17.15 x 1/3 = \$571,667)		
	Deferred tax asset	\$171,500	
	Deferred tax expense	\$171,500	
	(\$571,667 x .30 = \$171,500)		

If market price is \$70 at exercise:

Cash	\$5,000,000	Cash	\$5,000,000
Common stock	\$2,000,000	Add'l PIC – options	\$1,715,000
Add'l PIC—	\$3,000,000	Common stock (par \$20)	\$2,000,000
Common stock		Add'l PIC – common stock	\$4,715,000
		Deferred tax expense	\$514,500
		Deferred tax asset	\$ 514,500
Taxes payable	\$600,000	Taxes payable	\$600,000
Add'l PIC –	\$600,000	Tax expense	\$ 514,500
Common stock		PIC – stock options	\$ 85,500
(100,000 x \$20 x .30)			