

Message

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Letter of Comment No:2457

File Reference: 1102-100

From: Barbara James [barbara@Plccpdx.com]

Sent: Monday, May 17, 2004 1:50 PM

To: Director - FASB

This letter was sent to the Oregon Congress members. Mr. Paulson would also like you to be aware of his position. Thank you.

Sincerely,

Barbara James

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5/17/2004

May 17, 2004

TO: The Honorable members of Congress for the
State of Oregon

Senator Ron Wyden	FAX: 202-228-2717
Senator Gordon Smith	FAX: 202-228-3997
Rep. David Wu	FAX: 202-225-9497
Rep. Greg Walden	FAX: 202-225-5774
Rep. Earl Blumenauer	FAX: 202-225-8941
Rep. Peter DeFazio	FAX: 202-225-0032
Rep. Darlene Hooley	FAX: 202-225-5699

RE: File Reference No.1102-100

As Chairman of Paulson Investment Company (NASD member) and our publicly traded parent (Paulson Capital Corp.), I am writing to express my views opposing FASB's plan regarding the mandatory expensing of stock options. My firm has been the lead underwriter in over 150 public offerings, raising between \$5-\$40 million for small-cap companies. It is my belief that broad-based stock options are necessary, especially for companies in the high-tech field. Options have proven to be a valuable incentive in attracting talent, enabling the creation and growth of successful companies that, in turn, provide jobs.

More than an accounting issue, this is an economic issue that would have far-reaching negative consequences for many small-cap companies. Stock options are different from market-traded options as it is impossible to create an accurate value. (Please keep in mind that the "cost" of options is already reflected in financial statements in the dilution of earnings per share.) Expensing based on available methodologies (e.g. the Black-Scholes or lattice models) is not considered to be a reliable or comparable measure. The different models suggested by FASB would reflect inconsistent valuations, and would more likely confuse investors than clarify company finances.

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Add to this the huge costs to a small company to implement this expense, this proposal can only be viewed as a "lose-lose" situation.

I, therefore, request your endorsement of the Stock Option Reform Accounting Act (H.R. 3574/S.1890) delaying implementation of the FASB expensing rule pending further study.

Sincerely,

Chester L.F. Paulson
Chairman

CLFP:bj