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**From:** Blumenauer, Earl [Earl.Blumenauer@mail.house.gov]  
**Sent:** Monday, June 28, 2004 6:05 PM  
**To:** Director - FASB  
**Cc:** Blumenauer, Earl  
**Subject:** File Reference No. 1102-100

June 28, 2004

Mr. Robert H. Herz, Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P. O. Box 5116  
Norwalk, Connecticut 06856-5116

Re: File Reference No. 1102-100

Dear Mr. Herz:

As a Member of Congress I am concerned about the transparency, accuracy and comparability of financial statements upon which our businesses and investors rely. At the same time, I remain aware of the impacts such regulations may have on company management and employees. The issue of stock option expensing continues to challenge those on both sides of the issue.

To date, critical questions remain about how stock options are valued and accounted for, and the degree to which expensing could hamper employee recruitment and broad-based stock option programs. With these questions and impacts unanswered, the Financial Standards Accounting Board's efforts to mandate expensing later this year appears to be premature.

During this public comment period to FASB's Exposure Draft, I would like to highlight some key points that have arisen from discussions with constituents and businesses that I represent in Congress.

- **Impacts to broad-based stock option plans should be neutral if not enhanced.**  
The broad-based stock option model has not been implicated in any of the egregious abuses that have occurred in corporate America during the last few years. There is some evidence that having broader ownership of options would have provided more of a check and balance to financial abuses.
- **Start-up companies should not face undue hardships to recruiting talent and accessing capital.**  
Of particular interest to somebody representing the technology industry in Oregon, the ability to provide broad-based stock options is particularly important. As an area that is seeking to grow stable, larger corporate citizens from undercapitalized startup companies that don't have access to capital in a way that startups in larger and more affluent regions of the country, this helps us "level the playing field." A loss of this tool would be, therefore, more damaging to Oregon entrepreneurs than others.
- **The fact that some businesses have begun expensing options is not a clear indication of the proposals merits.**  
Corporate decisions to change their treatment of stock options has less to do with the merits of expensing and

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more to do with evolving business plans. For example, a giant like Microsoft is cash-rich and would gain a competitive advantage in the tech-industry with this treatment. The difficulty of placing a value on what is essentially equity, not income, is still apparent.

Thank you for your courtesy in soliciting public comment. I trust that the accounting profession will work towards a stock option accounting standard and implementation timeline that weighs these matters carefully.

Sincerely,

/s Earl Blumenauer

Earl Blumenauer  
Member of Congress  
3<sup>rd</sup> District, Oregon