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Congress of the United States House of Representatives

Michael E. Capuano
8th District, Massachusetts

January 29, 2003

Financial Accounting Standards Board
MP&T Director - File Reference 1101-001
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856

Letter of Comment No: 215 A
File Reference: 1102-001
Date Received: 1-29-03

To Whom It May Concern:

I am writing in response to the Financial Accounting Standards Board's recent Invitation to Comment on the accounting treatment for employee stock options. I have serious concerns that a proposal mandating the expensing of broad-based stock option plans could have a negative impact on many businesses in my Congressional District in Massachusetts and throughout the nation.

As you know, investor confidence has been eroded by the corporate scandals of the last year. These abuses have led to increased scrutiny of the adequacy of our laws and the rules governing corporate oversight, financial reporting, and accounting practices. The American people deserve the most accurate, complete information before investing their savings in public corporations. I am strongly committed to restoring this confidence in our nation's capital markets and businesses.

I am concerned, however, about the proposed International Accounting Standards Board (IASB) standard that would mandate the expensing of employee stock options. As you work with the IASB on developing a standardized set of accounting principles, I wanted to express my reservations with a mandatory approach that could result in the disclosure of inaccurate or confusing corporate financial information.

Experts in the accounting field have differing opinions on the expensing of employee stock options. Some believe that the current pricing models, which were not originally designed to assess employee stock options, produce inaccurate results and depend too heavily on the initial estimate provided by the corporation. Subjective numbers that could be considered unreliable are of little use to investors, and could hurt their ability to make informed decisions.

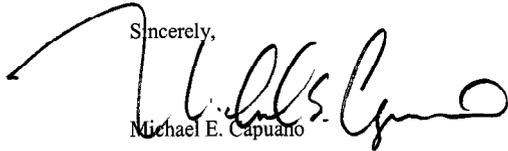
I believe that businesses should have a variety of ways of dealing with employee stock options in their financial reports. While no corporation should be prohibited from expensing stock options, investors might be better served in other cases with enhanced disclosure. Concise, uniform financial statements, where employee stock options are clearly disclosed to average investors could bring many of the same benefits as expensing.

In addition, mandatory expensing could reduce the number of companies offering broad-based stock option plans. These plans have provided many workers with significant economic benefits, while encouraging employee ownership of public corporations.

I commend you on your recent decision to seek additional information on this complicated issue before issuing a final opinion. Transparent, accurate financial reporting and meaningful disclosure are critically important to small and large investors alike, and are essential to the efficient operation of our capital markets. I ask that you carefully study this issue before moving forward with a plan to impose mandatory expensing of stock options on American corporations.

Thank you for the opportunity to comment on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Capuano". The signature is fluid and cursive, with a large initial "M" and a long, sweeping tail that loops back under the name.

Michael E. Capuano