The International Employee Stock Options Coalition

January 22, 2004

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

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Dear Mr. Herz:

On behalf of millions of U.S. employees and investors, the members of the International Employee Stock Options Coalition (IESOC)[i] urge the Financial Accounting Standards Board (FASB) to conduct comprehensive field testing of multiple models for valuing employee stock options before proceeding any further with its pending project on stock options. Given the widespread recognition that an accurate and reliable method for valuing employee stock options does not exist, we respectfully suggest that investors, issuers and all stakeholders in the financial reporting system would be well-served by such testing.

Many coalition members are eager to participate in field testing, and to do so quickly. Indeed, there is FASB precedent for such testing, and at least one prominent organization has urged that FASB conduct field testing with respect to standard-setting generally. The IESOC stands ready to assist the FASB expeditiously, in any and all ways, in the development, implementation and analysis of the field tests.

Significant field testing of multiple valuation proposals with the open participation of broad industry groups, including technology companies, auditing firms and valuation consultants, would serve investors well and could help mitigate the growing controversy surrounding valuation. We suggest that at least 100 companies across numerous industry segments, as well as the Big 4 accounting firms and several valuation consultants, test multiple methods.

To date, most companies have applied the Black-Scholes method only in their footnote disclosures. It now appears that FASB will recommend not only the Black-Scholes method but also a binomial or similar method. There is no body of knowledge from footnote disclosures on these other methods, however, in terms of the assumptions companies would make and other key factors. Surely field testing makes sense under these circumstances in order to safeguard the integrity of financial statements.

A recent American Enterprise Institute conference underscored the need for field testing. Highly regarded finance, economic and accounting experts, including SEC Commissioner Paul Atkins, Glenn Hubbard, the former Chairman of President George W. Bush's Council of Economic Advisors, and Kevin Hassett, AEI's Director of Economic Policy Studies, identified, among other things, fundamental problems with existing valuation methods. Their comments, a summary of which is attached, provide further evidence that comprehensive field testing is warranted.

Background

The IESOC believes that broad-based employee stock option plans are integral to the formation and growth of high technology, biotechnology and other companies and that the current accounting treatment for stock options should be continued. In our view, stock options do not constitute an expense as no cash payment or outflow of corporate assets is made. The cost of stock options is borne by stockholders through potential dilution, and this expense is already accounted for, and disclosed to investors, in diluted earnings per share.

We agree that there should be greater visibility to stock options and, to that end, many of our member companies have proactively expanded their quarterly and annual stock option disclosures to provide further information to investors.

Latest reports indicate that FASB will require companies to expense all employee stock options pursuant to an existing option pricing model, i.e., the Black-Scholes model, or a binomial or similar model. Experts from numerous fields, expensing advocates and opponents alike, and numerous commentators have raised concerns that these models are highly inaccurate and unreliable when used to value employee stock options, as opposed to freely tradeable options.

The IESOC agrees. The Black-Scholes model, binomial methods, and Monte Carlo modeling all fail the tests of reliability, comparability and consistency. These existing methods simply do not produce credible, transparent, consistent, comparable and unbiased financial information. More specifically, under existing models:

- Consistency and comparability will be at risk. The need to make subjective determinations of the variables used in stock option valuation models will lead to a reduction in existing levels of comparability and consistency in financial reporting across companies and industries.

- To date, accurate valuation of employee stock options has proven to be an impossible task. Valuing stock options granted by high technology and biotechnology companies is particularly complex because estimating certain valuation variables is highly subjective and impacted by factors out of management's control.

- None of the existing valuation models is currently adequate for valuing employee stock options. We believe that the models under consideration by FASB fail to adequately incorporate factors unique to employee stock options and could subsequently compromise the reliability, integrity and comparability of financial reporting, as well as open the door to manipulation.

When one couples issues of volatility, expected holding periods, early exercise, forfeitures, risk free rates of return and trading blackout periods with common issues of the lack of a market, vesting requirements and non-transferability, it becomes crystal clear that there will be significant issues of accuracy and reliability within a company's financial statements as well as consistency and comparability across companies and industries.

While we continue to oppose in the strongest terms the expensing of all employee stock options, we recognize that FASB also continues to press forward. If the Board ultimately proposes mandatory expensing of all options on the face of the income statement, we believe it has an obligation – ***before*** adopting a new accounting standard – to consider multiple valuation methods, test them, and evaluate their accuracy and reliability.

There is FASB Precedent For Field Testing

FASB recently conducted field testing in connection with its project on business combinations (purchase/pooling). The purpose of such field testing was "to determine whether the approach that the Board is pursuing for accounting for goodwill that arises in conjunction with a purchase business combination is operational." [ii] A 1999 memorandum prepared for members of FASB's Financial Accounting Standards Advisory Council discusses the key issue of goodwill amortization, and refers to the results of FASB's field testing. Indeed, field testing "confirmed the Board's concerns about the operationality of the proposed approach, the opportunities for gamesmanship the approach would have provided, and the lack of rigor in impairment testing." [iii] As a result, the Board changed its approach to amortization.

Records also indicate that the FASB conducted field testing in connection with its proposed standards for financial statements of not-for-profit organizations and accounting for contributions in 1994. In addition, FASB conducted field testing in connection with FAS 133 in 1996. [iv]

Field testing is the only prudent way to proceed on the stock options project:

- As before, the Board ought to determine whether its approach on valuation is "operational."
- As before, the Board ought to determine whether its approach on valuation will create "opportunities for gamesmanship."
- And, as before, the Board ought to determine whether its approach is sufficiently rigorous.

Others Have Supported Field Testing Generally

The Association for Investment Management and Research (AIMR) – an expensing advocate – has urged FASB to conduct field testing generally as part of the standard-setting process. In AIMR's words:

> "AIMR's Financial Accounting Policy Committee has on several occasions communicated directly to the FASB in support of field testing in the standards-setting process. ***Field tests can be enormously helpful in identifying implementation problems that neither preparers nor users of financial statements could have anticipated at the conceptual level.***" [v]

If there were ever a project for FASB to follow AIMR's recommendation, the stock options project must surely be it.

FASB's "Cost-Benefit" Analysis is Inadequate

In September 2003, press reports indicated that FASB had decided to conduct "road testing" of actual valuation models. These media accounts reported that a number of companies "pledged cooperation in taking part in a 'road test' of the accounting standard before FASB formally issues" a new standard.[vi] Numerous companies volunteered to participate in such testing. It was widely understood that actual models would be tested for accuracy and reliability.

FASB has replaced the kind of field testing we recommend here with a cost-benefit kind of analysis that will not impart any relevant or material information about the accuracy and reliability of valuation methods. FASB has told companies that volunteered to participate in field testing that it will instead ask them to assess the out-of-pocket costs that they will incur as a result of attempting to comply with the new standard. FASB has communicated that it does not intend to actually test valuation models. In FASB's words:

> "In particular, the Board seeks to assess and understand the costs, in qualitative terms, that would be required to design and implement a lattice option-pricing model.... ***The scope of the Program does not include testing of lattice option pricing models....*** " [vii]

The field testing program that we recommend is fundamentally different and considerably broader than FASB's ongoing "cost benefit" analysis. Such a broader program – consistent with what appeared to be FASB's original intent – is necessary for any number of reasons, not the least of which is the substantial controversy surrounding valuation.

Suggested Parameters for Field Testing Multiple Valuation Methods

As noted above, we believe that mandatory expensing of employee stock options using currently available valuation models compromises the core financial accounting objectives of comparability, reliability, trustworthiness and consistency. In our view, field testing should include elements that will produce data enabling reasonable judgments about whether expensing stock options enhances or erodes these core objectives.

In order to judge the impact of expensing on comparability, we recommend that field testing include several different industries and multiple companies within each industry. In addition, companies should be chosen that have markedly different levels of stock option usage. By carefully chosing the participants for field testing, FASB can obtain sufficient data bearing on comparability.

Field testing should also require participants to produce a variety of different estimates of their putative stock options "expense" using different valuation models and different inputs for each model for several prior reporting periods. Such data can be used to judge the year-to-year consistency of using a valuation model to determine the alleged "expense" and its impact on the reliability of financial statements.

Such data could also reveal the degree to which changes in the assumptions and inputs skew the outcomes of the various models. This data would allow FASB to assess the degree of trustworthiness (or untrustworthiness) of available valuation models.

We hope that FASB will consider these suggestions in designing field tests, and we would welcome the opportunity to provide further details on suggested methodology and approach.

Conclusion

Those who want to require the expensing of all employee stock options have the burden of demonstrating that such a new accounting standard would enhance the reliability, comparability and consistency of financial statements. Field testing of multiple valuation models across companies and industries is critical. The views of valuation consultants and auditors also are essential to determine the "workability" of any proposal.

The IESOC calls upon FASB to attempt to address the fatal shortcomings of existing option pricing models or develop a new model before mandating inclusion of materially inaccurate numbers on the face of financial statements. FASB should field test multiple models through footnote disclosure until it can be determined whether they do, in fact, "work." Coalition member companies would be pleased to work constructively with the Board in identifying the models to be tested, developing the methodology, identifying companies and industries, and analyzing the resulting data.

Sincerely,

Rick White

Rick White
President

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[i] The IESOC supports broad-based employee stock option plans. It is comprised of trade associations and companies representing a diverse range of industries, including high technology, biotechnology, manufacturing and service companies, in the U.S. and abroad.
[ii] "Business Combinations," Financial Accounting Standards Advisory Council, October 1998, at 1.
[iii] "Business Combinations," Financial Accounting Standards Advisory Council, January 1999, at 3.
[iv] Testimony of FASB Board Member Leslie Seidman before the Subcommittee on Commerce, Trade and Consumer Protection of the Committee on Energy and Commerce, July 22, 2003, p. 8.
[v] See http://accounting.rutgers.edu/raw/aicpa/dbase/d-18d.htm.
[vi] Steve Burkholder, "Several Members of FASB Advisory Panel Praise Proposed Rules on Stock Options," BNA Tax, Budget and Accounting, September 26, 2003, G-9.
[vii] Memorandum from Mike Tovey to FASB Field Visit Program Participants, November 7, 2003, at 1 (emphasis added).

Experts at AEI Conference Conclusively Show that Expensing All Employee Stock Options Will Have Far-Reaching, Negative Consequences

An American Enterprise Institute conference on January 8, 2003 brought together a wide array of finance, economic and accounting experts, including an SEC Commissioner and the former Chairman of President George W. Bush's Council of Economic Advisors, to discuss the accounting treatment of employee stock options. The overwhelming consensus: ***FASB's current plan to require the expensing of all employee stock options will do far more harm than good.***

Conference presenters included:

- Paul Atkins, Commissioner, Securities and Exchange Commission.
- Glenn Hubbard, former Chairman of President Bush's Council of Economic Advisors, and Russell L. Carson Professor of Economics and Finace, Department of Economics and Graduate School of Business, Columbia University, and Research Associate, National Bureau of Economic Research.
- Kevin Hassett, Director of Economic Policy Studies at the American Enterprise Institute.
- Charles Calomiris, Henry Kaufman Professor of Financial Institutions at the Graduate School of Business, Columbia University, and Research Associate, National Bureau of Economic Research.
- Peter Wallison, Resident Fellow at the American Enterprise Institute, and formerly General Counsel of the Department of Treasu.
- Deen Kemsley, Associate Professor of Accounting, Columbia University.

Set forth below is a sampling of key statements from these experts, who concluded that:

- expensing all employee stock options will create more problems than it solves;
- expensing will impair financial reporting because there is no method to value employee options accurately and reliably and because expensing will make financial statements less consistent and comparable;
- FASB's stock options agenda has more to do with corporate governance than accounting;
- FASB's proposal will harm the economy; and
- Disclosure is better for investors than expensing.

Expensing All Employee Stock Options Will Create More Problems Than It Solves

"What is the problem that people are trying to solve? And does the FASB direction fix the problem? ***I'm not sure that the presented fix doesn't create more problems.***" (Remarks of SEC Commissioner Paul Atkins, AEI Conference, January 8, 2004; emphasis added)

"I...fear that this change is coming about not simply to improve accountability or to provide more reliable financial information to investors. ***My fear is that this change is coming about as part of a basic horse trade in order to facilitate international convergence with***

other accounting standards. Convergence of accounting standards is of course a laudable goal, and I think my colleagues at the commission have said the same – that it's something to strive for. ***But in an effort to reach this goal we cannot sacrifice the integrity and reliability of financial statements.***" (Atkins' Remarks; emphasis added)

"[T]he establishment of new accounting rules for expensing options would likely do more harm than good." (Charles W. Calomiris and R. Glenn Hubbard, <u>Options Pricing and Accounting Practice, Preliminary Paper Presented at AEI Conference</u>, January 8, 2004, at 2)

"GAAP already requires firms to disclose the stock option expense in footnotes. Therefore…there could very well be little benefit from booking the expense in the income statements. Furthermore, if there is significant measurement error and/or discretion in the recorded expense, booking the expense could actually be more misleading than simply footnoting it." (Presentation by Deen Kemsley, AEI Conference, January 8, 2004, Columbia University, at 7)

"In some ways, at least, I believe it is clear that expensing employee stock options could be a major mistake. It makes science out of an art." (Kemsley, at 15)

<u>Expensing All Employee Stock Options Will Impair Financial Reporting</u>

"The integrity of our financial statements should always be FASB's guiding principle. The real question is whether expensing stock options will enhance that reliability and integrity or have the opposite effect." (Atkins' Remarks)

"After surveying the theoretical arguments and the evidence, we conclude that ***by forcing companies to place values on their employee stock options, before deciding on a method for doing so, the FASB is making a serious error that will impair the quality of financial statements, violate basic principles of accounting, and lead to a rise in costly but meritless lawsuits***. The more prudent and sensible course for the FASB, in our view, would be to focus its efforts on developing a satisfactory method of valuing these instruments. Only after this has been accomplished would it make sense to require that companies include the theoretical expense of employee stock options in their GAAP income statements." (Kevin Hassett and Peter Wallison, <u>The Economic and Legal Consequences of Requiring the Expensing of Employee Stock Options Without Specifying the Valuation Method</u>, AEI Conference, January 8, 2004, at 8; emphasis added)

"In principle, the FASB and the accounting profession should be resisting efforts to break down the standards for how fair value can be established, not requiring companies to include in their EPS numbers for which there is no adequate conceptual basis. ***It is not necessarily an improvement in financial reporting to substitute an arbitrary value when the actual value cannot be ascertained. Doing so impairs the credibility and trustworthiness of the financial statement,*** and certainly does not meet the accounting test of reliability—i.e., 'faithfully representing what it purports to represent.'" (Hassett and Wallison, at 18; emphasis added)

"Booking stock option expense will increase discretion over reporting earnings through (a) estimated volatility and (b) estimated exercise dates." (Kemsley, at 14)

"Booking stock option expense will also increase 'noise' in reporting earnings, through problems with the Black-Scholes formula in this context....This noise would vary across firms." (Kemsley, at 14)

"The responsible course, consistent with the accounting concepts of reliability, consistency and comparability, would be for the Board to wait until it or some other entity has created a model for pricing employee stock options that is generally recognized as 'faithfully representing what it purports to represent.' To do less would open up a Pandora's box of potential lawsuits, and expose firms to vexing terrain that may adversely affect both the quality of their financial reports and the results of their operations." (Hassett and Wallison, at 24)

FASB Should Not Require Expensing When There is No Existing Method to Value Employee Options Accurately and Reliably

"I have yet to meet anybody who suggests that Black-Scholes is a good or even a fairly good indicator of long-term compensation options – especially those in broad-based stock option plans. There are too many idiosynchratic aspects of the options as we saw when JP Morgan Chase bought the Microsoft options. They had to drastically modify the terms of the options to be able to put some value on them that they were willing to pay." (Atkins' Remarks)

"The only positive comment I have heard about Black-Scholes is that everyone seems to understand how to implement vs. the binomial method – but let me be the first to admit that I don't understand the intricacies of the binomial method, and much less some of the ins and outs of Black-Scholes. It's complicated, and as far as the binomial method goes, it has lots of data points. It will take a lot of efforts and expense by companies to implement and it ultimately produces results that are strikingly similar to Black-Scholes. ***Accounting professionals and FASB readily acknowledge that both of these methods are not perfect and frankly are far from it.***" (Atkins' Remarks; emphasis added)

"The valuation of stock options is a highly complex endeavor, an area where reasonable people can, and do, disagree significantly. The notion that all one needs to do is apply 'the obvious formula' to value the options is simply false. ***There is no obvious formula to apply.***" (Calomiris and Hubbard, at 6; emphasis added)

"***...the FASB appears to be on the verge of requiring fair value estimates before there is any known way of establishing reliable estimates.***" (Hassett and Wallison, at 7; emphasis added)

"...it seems clear that the FASB has no idea how companies might be able to establish the fair value of employee stock options, but is nevertheless proceeding down the path toward requiring the expensing of options. In part, this may be the result of political pressure that originated with a misreading of the Enron and Worldcom debacles. (Hassett and Wallison, at 24)

"The Black-Scholes model, which the Board specified as one of the acceptable methods in 1995, has been shown to have significant deficiencies for valuing long term instruments such as employee stock options." (Hassett and Wallison, at 5)

"If financial economists are still uncertain how to value these options, FASB will undoubtedly have difficulty specifying a method. The essential difficulty is that there are many competing valuation candidates, each with pros and cons, that produce widely varying results depending on the specific circumstances of individual firms." (Hassett and Wallison, at 6)

"...the absence of any satisfactory method for estimating the value of employee stock options, when combined with a requirement that this uncertain and unascertainable value be included in computing EPS, appears to be inconsistent with the principles and objectives of accounting itself and could create considerable legal risks for companies....[P]erhaps equally important, the absence of any reliable formula for ascertaining the value of employee stock options calls into question whether any fair value analysis is appropriate for use in this context." (Hassett and Wallison, at 7)

"All this suggests that using an option-pricing formula such as Black-Scholes—even assuming that it is capable of producing an accurate value for options with the characteristics of employee stock options—is not likely to establish a fair value for these instruments. If in fact the underlying accounting reason for expensing employee stock options is to capture the amount by which a company reduces its salary costs through use of options, that result cannot be achieved by determining the price at which a willing buyer and a willing seller would transact. In this sense, in light of the definition of fair value used in accounting texts, employee stock options are just not suitable for fair value treatment." (Hassett and Wallison, at 13)

"Option valuation is a complex ***valuation problem*** that is best left to market analysts to estimate and debate. It is disingenuous, and not helpful to investors, to pretend that this difficut valuation problem can be solved adequately by an accounting rule....[R]equiring firms to adopt a one-size-fits-all approach to option valuation using a standardized model of option pricing will tend to mislead investors by misstating the cost of stock options, and overstating the cost of stock options for small, growing firms...." (Calomiris and Hubbard, at 15; emphasis in original)

"***There is no convincing argument in favor of requiring firms to expense employee stock options according to a new FASB rule***....Given the highly controversial aspects of measuring the costs of these options, that task is best left to the competitive information processing that takes place in financial markets." (Calomiris and Hubbard, at 14; emphasis added)

"Standardized rules for valuing stock options are liable to introduce noise and distortions into reported earnings. There is no single 'correct formula' to apply to the problem of valuing options." (Calomiris and Hubbard, at 15)

"It is very difficult to estimate the value of ESOs because the shadow cost of issuing new equity decreases the real cost of an option; employee stock options are illiquid; it is difficult to estimate future volatility; it is difficult to estimate exercise dates." (Kemsley, at 8)

"...only 4 percent of actual ESO gains are within the range from 90%-110% of the Black-Scholes estimates." (Kemsley, at 13)

"...one can expect that two identical firms will almost necessarily arrive at significantly different estimates for their accounting statements, unless specifically guided in great detail by FASB. However, FASB would not be able to base such guidance on any consensus surrounding a specific model, as no such consensus exists." (Calomiris and Hubbard, at13)

"...an accurate accounting standard that would apply to all firms, and that would take account of the extent to which forfeiture and early exercise were likely to occur, would be virtually impossible to devise...." (Calomiris and Hubbard, at 14)

"Differences of opinion about the values to attach to options are widespread." (Calomiris and Hubbard, at 6)

Expensing All Employee Stock Options Will Make Financial Statements Less Reliable

"...the accounting concept of reliability would be violated through use of any known options-pricing model, since none of them take adequate account of the many ways in which the value of employee stock options can be diminished by contractual terms that would affect the price at which a willing buyer and a willing seller would transact." (Hassett and Wallison, at 16)

"...even without the manifold contractual terms that alter the value of an employee stock option, ***there is no options-pricing model currently in existence that clearly gives the best possible assessment of the value of options across all firms.*** Because of these factors, whatever number is ultimately developed would have to be little more than a guess, and thus would not 'faithfully represent what it purports to represent.'" (Hassett and Wallison, at 16; emphasis added)

"Reliability is also called into question by the FASB's failure to prescribe a model. This opens the possibility of management manipulation..." (Hassett and Wallison, at 16)

"Accordingly, at least with respect to the standard of reliability...a fair value established for employee stock options through use of a faulty model, or one subject to management manipulation, would be less useful than no valuation at all." (Hassett and Wallison, at 17)

"It is also important to note that the FASB has itself pointed out that with respect to fair value estimates, 'the more market inputs the more reliable the estimate,' and that 'reliability encompasses representational fairness, neutrality, and verifiability.' ***It is doubtful that a number derived from a wholly artificial model, which contains assumptions about an unknown future and is subject to management bias in the choice of the model utilized, meets any of these tests.*** " (Hassett and Wallison, at 17)

Expensing All Employee Stock Options Will Make Financial Statements Less Consistent and Less Comparable

"The Statement of Financial Accounting Concepts No. 2 defines 'consistency' as 'conformity from period to period with unchanging policies and procedures.' This concept would also be violated by an FASB requirement that companies estimate the fair value of their employee stock options before there is in place an agreed technology for doing so." (Hassett and Wallison, at 18)

"The possibility that the FASB might require companies to estimate the value of their employee stock options without specifying a particular method for doing so presents a unique challenge to the concept of comparability. In order to compare the GAAP financial results of any two companies, investors will have to understand the options-pricing model the companies used as well as the inputs to that model. This would be a difficult process even if a particular model were specified, because investors would have to evaluate whether the values the company selected for inclusion in the model were appropriate, given the company's history and circumstances. The process would be even more difficult if the companies chose entirely different option-pricing models for this purpose." (Hassett and Wallison, at 20)

"These problems suggest that reasonable and well trained options practitioners might go about the valuation process in different ways, choose significantly different models and arrive at significantly different values." (Hassett and Wallison, at 21)

"Under these circumstances, it would be important for investors to be able to assess the appropriateness and validity of the inputs selected by any two companies they wish to compare, but very difficult for them to do so. Assuming both companies use the Black-Scholes model, the investor might understand how the model works, but be unable to determine whether the input assumptions were reasonable. It would be a still harder task if the companies did not even use the same model—a possibility that is suggested by the FASB's recent decision that 'the use of any specific option-pricing model would not be precluded.'" (Hassett and Wallison, at 22)

Disclosure is Better For Investors Than Expensing

"In this light, it is worth noting that the current system of disclosure has much to recommend it." (Hassett and Wallison, at 24)

"Given the uncertainty associated with estimating the fair value of employee stock options, it seems appropriate that disclosure occur in the footnotes to the financial statements rather than in the computation of net income. In this case, investors who are interested in what effect a company's employee stock options might have on its earnings per share can see an estimate in the footnotes, but because of the uncertainty associated with the estimate—most are now made using the inadequate Black-Scholes model—companies will not be distorting their EPS with a weakly derived number. This seems a sensible compromise—until the FASB is able to settle on an adequate and reliable method for ascertaining the fair value of employee stock options." (Hassett and Wallison, at 24-25)

FASB's Stock Options Agenda Has More to do With Corporate Governance than Accounting

"Is there a significant investor outrage or concern out there about this issue? Are there cadres of investors who are clamoring that they don't understand the footnotes disclosure regarding the effect of options on a company? And is there a fear that the current disclosure method provides unclear or unreliable information about the dilutive nature of options?" (Atkins Remarks)

"FASB is basically getting into an area that's more of a political issue." (Atkins Remarks)

"My own fear about where this is going is that FASB is basically getting into an area that's more of a political issue than a technical or accounting issue. My fear is that the pressure on this issue is meant to address a corporate governance failure on the part of the board than to rein executive compensation." (Atkins' Remarks)

"One thing that I am certain of...is that FASB should not be in the business of dictating what type of compensation should be paid by corporations to their employees." (Atkins' Remarks)

FASB's Proposal Will Harm the Economy

"By making stock options less attractive to companies as a way of recruiting, retaining and incentivizing key employees, the FASB may be tinkering—needlessly and counterproductively—with a mechanism that has contributed substantially to the singular prosperity of the United States." (Hassett and Wallison, at 9)

"...a uniform accounting treatment of stock options would tend to penalize firms in growth industries the most....." (Calomiris and Hubbard, at 8)

January 12, 2004