



INTERNATIONAL EMPLOYEE STOCK OPTION COALITION

December 13, 2001

Sir David Tweedie
Chairman, International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir David:

As trade associations and companies representing a diverse range of industries in the U.S. and abroad, we speak for thousands of organizations that issue employee stock options and millions of workers, many of whom receive stock options.

We write in opposition to the conclusions in the IASC/G4+1 Discussion Paper on accounting for employee stock options. We urge the IASB to adopt the disclosure-based approach set forth in U.S. Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standard No. 123 (SFAS 123).

Our organizations have a significant stake in the mission of the International Accounting Standards Board. We are deeply concerned, however, that by electing to take up stock option accounting as one of its first major issues, the IASB raises troubling questions about its future. At a time when stock markets are volatile and business investment is exceedingly weak, we are certain that the G4+1 proposal will unnecessarily regenerate a controversy that the FASB's disclosure-based approach, embodied in SFAS 123, already resolved. If the IASB continues on this controversial track, the debate on this one issue could endanger the current consensus supporting the IASB.

We recognize the increasing importance of globally accepted accounting standards and respect the IASC's purpose in promoting comparability and convergence. The IASB's current approach on international stock option accounting, as set forth in the G4+1 paper, runs counter to these goals. In contrast to the concepts of convergence and global harmonization, the IASB appears to be in the process of writing an entirely new stock option standard that is different from anything used anywhere in the world. No country today requires companies to expense stock options granted to employees. Indeed, the one standard that is generally acceptable and enduring is that issued by FASB after exhaustive due process and debate. Importantly, it was issued only after a proposal similar to that embodied in the G4+1 Discussion Paper was rejected on practical and technical grounds. If adopted, the approach set forth in the G4+1 Discussion Paper would create a distinct disparity between the time-tested U.S. standard and the IASB standard, and would preclude the consensus that we understood the IASB was designed to create.

We continue our strong support for a disclosure-based standard because many of us do not believe that stock options are an appropriate compensation expense. Rather, the cost of stock options is borne by shareholders in the form of potential dilution. In any case, even if the options should, in theory, be expensed, no reliable method has been found to measure that value in a way that would not be misleading to investors. The footnote disclosure embodied in SFAS 123 represents a balanced approach that offers interested investors ample information for understanding a company's use of employee stock options without producing misleading financial statements.

Thank you for your consideration of our views.

Sincerely,

1325 G Street, N.W., Suite 1020
Washington, DC 20004

American Benefits Council
American Business Conference
American Chemistry Council
AeA (American Electronics Association)
Association of Publicly Traded Companies
Australian Venture Capital Association, Limited
Biotechnology Industry Organization
ERISA Industry Committee
European Private Equity and Venture Capital Association
Financial Executives International
International Mass Retailers Association
Massachusetts Software & Internet Council
National Association of Manufacturers
National Employee Benefits Institute
National Retail Federation
National Venture Capital Association
Printing Industries of America
Semiconductor Equipment and Materials International (SEMI)
Semiconductor Industry Association
Society for Human Resource Management
Software & Information Industry Association
Software Finance & Tax Executives Council
The Technology Network (TechNet)
U.S. Chamber of Commerce
WorldatWork

3Com Corporation
Advantest America, Inc.
Broadcom Corporation
CarsDirect.com, Inc.
Cisco Systems, Inc.
Compaq Computer Corporation
Corning Incorporated
DMC Stratex Networks, Inc.
Escent Technologies, LLC
FreeDrive, Inc.
Hanna Capital Management, Inc.
Intuit, Inc.
KLA-Tencor Corporation
Lightspan, Inc.
McCutchen, Doyle, Brown & Enersen, LLP
Monet Mobile Networks, Inc.
National Semiconductor Corporation
PayPal, Inc.
Rainbow Technologies, Inc.
Salesforce.com, Inc.
Stanford SKOLAR, MD
Sun Microsystems, Inc.
Texas Instruments, Inc.
Travelocity.com, Inc.
Vignette Corporation
Xilinx Corporation

Accel Partners
Angel Investors, LLP
Broadview International, LLC
Charles River Ventures
ClickAction, Inc.
Conexant Systems, Inc.
Currenex -- Global Financial Exchange
Doty, Sundheim & Gilmore
Flextronics International, Ltd.
Genentech, Inc.
IDEC Pharmaceuticals Corporation
JasperCapital
Kleiner, Perkins, Caufield & Byers
Marimba, Inc.
Mohr Davidow Ventures
Motorola, Inc.
Oracle Corporation
Pittsburgh Technology Council
Roth Capital Partners, LLC
Siebel Systems, Inc.
Sternhill Partners
Supportkids, Inc.
TL Ventures
VeriSign, Inc.
Western Digital Corporation

American Benefits Council

The American Benefits Council is a public policy organization representing principally Fortune 500 companies and other organizations that assist employers of all sizes in providing benefits to employees. Collectively, the Council's members either sponsor or provide services to stock, retirement and health plans that cover more than 100 million Americans.

American Business Conference

The American Business Conference is a coalition of CEO's of midsize, high-growth American companies. ABC advocates public policies to promote economic growth and a higher standard of living for all Americans.

American Chemistry Council

The American Chemistry Council represents the leading companies engaged in the business of chemistry. Council members apply the science of chemistry to make innovative products and services that make people's lives better, healthier and safer. The Council is committed to improved environmental, health and safety performance through Responsible Care[®], common sense advocacy designed to address major public policy issues, and health and environmental research and product testing. The business of chemistry is a \$460 billion enterprise and a key element of the nation's economy. It is the nation's largest exporter, accounting for ten cents out of every dollar in U.S. exports. Chemistry companies invest more in research and development than any other business sector.

AeA (American Electronics Association)

Advancing the business of technology, AeA (American Electronics Association) is the nation's largest high-tech trade association. Founded in 1943, AeA has more than 3,500 member companies that span the high-technology spectrum, from software, semiconductors and computers to Internet technology, advanced electronics and telecommunications systems and services. With 17 regional U.S. councils and offices in Brussels and Beijing, AeA offers a unique global policy grassroots capability and a wide portfolio of valuable business services and products for the high-tech industry. AeA has been the accepted voice of the U.S. technology community for 57 years.

Association of Publicly Traded Companies

The Association of Publicly Traded Companies (APTC) has an active membership of over 500 corporations consisting of a broad cross section of publicly traded companies, especially those traded on the Nasdaq National Market.

Australian Venture Capital Association, Limited

AVCAL represents 90% of the participants in the Australian venture capital industry. The industry now has 50 managers with funds under management of over \$9 billion. AVCAL has worked closely with the Australian Government to extend tax exemption to foreign pension funds, endowments, foundations and fund of funds. AVCAL has played a significant role in creating an environment in Australia in which IT & Bioscience companies can flourish.

Gone are the days when eminent scientists like Sir Howard Florey, who co-discovered penicillin, had to leave Australia because they could not conduct or commercialise their research in Australia. Great Australian scientists are now coming home to roost because of the environment which has been created in Australia by AVCAL and the Government for the funding of early stage Bioscience and IT companies.

Biotechnology Industry Organization (BIO)

The Biotechnology Industry Organization (BIO) is the international trade association of the biotechnology industry which represents more than 1000 biotech companies in all 50 States and 39 foreign nations.

ERISA Industry Committee

The ERISA Industry Committee (ERIC) is an association of America's largest employers committed to the advancement of voluntary retirement, health care coverage, and other employee benefit plans. ERIC's mission is to promote policies necessary for its members' employee benefit plans to flourish and is the only organization in the nation's capital that represents exclusively the employee benefits interest of America's largest employers.

European Private Equity and Venture Capital Association

The European Private Equity and Venture Capital Association (EVCA) exists to represent the European private equity sector. With over 900 members throughout Europe, EVCA's many roles include providing information services for members, creating networking opportunities, acting as a lobbying and campaigning organization and working to promote the asset class both within Europe and throughout the world. EVCA's activities cover the whole range of private equity, from seed and start-up to development capital, buyouts and buyins, and the flotation of private equity-backed companies.

Financial Executives International

Financial Executives International (FEI) is a professional association representing the interests of more than 15,000 CFO's, treasurers, controllers, and other senior financial executives from over 8,000 major companies throughout the United States and Canada representing both providers and users of financial information.

International Mass Retailers Association (IMRA)

IMRA represents many of the best-known and most successful retailers in the world. IMRA equally values among its members hundreds of the world's top-tier product and service suppliers.

Massachusetts Software & Internet Council

The Massachusetts Software & Internet Council was founded in 1985 to promote the Massachusetts software and Internet industry, to help executives start, grow, and manage companies, and to help companies compete successfully in global markets. Currently, there are 775 member companies.

National Association of Manufacturers (NAM)

The National Association of Manufacturers - 18 million people who make things in America - is the nation's largest industrial trade association. The NAM represents 14,000 members (including 10,000 small and mid-sized companies) and 350 member associations serving manufacturers and employees in every industrial sector and all 50 states. Headquartered in Washington, D.C., the NAM has 10 additional offices across the country.

National Employee Benefits Institute

The National Employee Benefits Institute is a non-profit, educational trade association serving the benefits administrators of the nation's largest multistate corporations.

National Retail Federation

The National Retail Federation's membership includes the leading department, specialty, independent, discount and mass merchandise stores in the US and 50 nations around the world. NRF represents more than 100 state, national and international trade organizations which have members in most lines of retailing.

National Venture Capital Association

The National Venture Capital Association (NVCA) represents over 430 venture capital and private equity organizations. NVCA's mission is to foster the understanding of the importance of venture capital to the vitality of the U.S. and global economies, to stimulate the flow of equity capital to emerging growth companies by representing the public policy interests of the venture capital and private equity communities at all levels of government, to maintain high professional standards, facilitate networking opportunities and to provide research data and professional development for its members.

Printing Industries of America, Inc.

Headquartered in Alexandria, Va., and founded in 1887, Printing Industries of America, Inc., is the world's largest graphic arts trade association representing an industry with more than 1 million employees and \$163 billion in sales. PIA promotes the interests of more than 13,000 member companies. PIA consolidated with the Graphic Arts Technical Foundation (GATF) in 1999. GATF is a member-supported, nonprofit scientific, technical, and educational organization dedicated to the advancement of graphic communications industries worldwide. Since 1924, GATF has developed leading-edge technologies and practices for printing, and each year the Foundation develops new publications to meet the evolving needs of the industry.

Semiconductor Equipment and Materials International (SEMI)

Representing more than 2,400 member companies, Semiconductor Equipment and Materials International (SEMI) is the trade association serving the global semiconductor equipment, materials and flat panel display industries. SEMI strives to foster growth and development of both member corporations and the professionals within them through business and technical education; workforce development; public policy initiatives; and most importantly, through its international trade shows. Through these efforts, SEMI continues to promote and nurture its members and their \$100 billion global market share, which represents a significant contribution to the world economy.

Semiconductor Industry Association

The SIA is the leading voice for the semiconductor industry and has represented US-based manufacturers since 1977. SIA member companies comprise more than 90 percent of US-based semiconductor production. Collectively, the chip industry employs a domestic workforce of 284,000 people.

Society for Human Resource Management

Society for Human Resource Management (SHRM) is the leading voice of the human resource profession. SHRM provides education and information services, conferences and seminars, government and media representation, online services and publications to more than 170,000 professional and student members throughout the world. The Society, the world's largest human resource management association, is a founding member of the North American Human Resource Management Association (NAHRMA) and a founding member of the World Federation of Personnel Management Associations (WFPMA)

Software & Information Industry Association

SIIA is the principal trade association of the software code and digital content industry. SIIA provides global services in government relations, business development, corporate education and intellectual property protection to more than 800 leading software and information companies.

Software Finance & Tax Executives Council

The Software Finance and Tax Executives Council (SoFTEC) is a Washington, D.C.-based trade association that provides educational resources for policymakers, legislative staff and journalists regarding a number of high-tech tax and finance policy issues, including: Internet taxation, the research and development tax credit, actions of the Financial Accounting Standards Board, stock options, foreign sales corporations, and software revenue recognition.

The Technology Network (TechNet)

The Technology Network (TechNet) is a national network of chief executive officers and senior executives of the nation's leading technology companies. TechNet members represent over 200 companies in the fields of information technology, biotechnology, venture capital, investment banking and law. TechNet's mission is to build bipartisan support for policies that strengthen America's leadership of the New Economy. TechNet nodes are located in California, Indiana, Massachusetts and Texas.

U.S. Chamber of Commerce

The United States Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector and region.

WorldatWork

WorldatWork (formerly the American Compensation Association and the Canadian Compensation Association) is a global, not-for-profit association of more than 26,000 professionals working in the fields of compensation, benefits and human resources. WorldatWork's membership includes professionals from a diverse spectrum of companies and industries, including manufacturing, high tech, banking/finance and healthcare. Founded in 1955, WorldatWork is dedicated to knowledge leadership in compensation, benefits and total rewards disciplines associated with attracting, retaining and motivating employees. In addition to membership, WorldatWork offers highly acclaimed certification (CCP®, CBP* and GRP®) and education programs, the award-winning monthly magazine workspan, online information resources, publications, conferences, research and networking opportunities.