

OPINION

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**Guest comment**

## **It's the bottom of the ninth for stock options**

[Mike Honda](#)

Last December, the [Financial Accounting Standards Board](#) issued its controversial "stock options rule," which would require companies to report the issuance of stock options as an expense in their financial disclosure statements.

At the time, I expressed my concern that this rule would discourage businesses -- particularly high tech firms and start-ups like the ones that dot Silicon Valley -- from offering the broad-based employee stock option plans that reward daring entrepreneurs.

Fortunately, it now appears that this rule may face additional scrutiny before becoming law, a welcome development for our high-technology and bio-technology companies, who would be harmed by this restriction on innovation.

Much has transpired in the past few months to slow the momentum of the stock options express. For one thing, Reps. Anna Eshoo (D-CA) and David Dreier (R-CA) re-introduced HR 913, legislation that directs the [Securities and Exchange Commission](#) to require enhanced disclosure of employee stock options and requires a study on the economic impact of broad-based employee stock option plans.

In addition, the Securities and Exchange Commission now seems poised to delay implementation of FASB's rule another six months, allowing Congress, the SEC, academia, businesses and other interested stakeholders time to find alternatives or, at a minimum, curtail negative impacts.

Lawrence B. Lindsey, former director of the [National Economic Council](#) under President George W. Bush, has also weighed in on the subject. In a recent letter to SEC Chairman William Donaldson, Lindsey wrote that implementation of the current FASB rule would allow transmission of "inadequate and potentially misleading" information to the investing public.

I believe we must challenge this rule to protect the middle class. Currently, 80 percent of stock-option holders earn less than \$75,000 a year, and 90 percent of outstanding stock options are held by middle class workers.

More than a dozen alternative proposals have surfaced during the past several months -- all of which FASB dismissed with little or no hearing or consideration. Some accept the expensing of all employee stock options while offering alternative approaches to valuation.

Others have advanced entirely new approaches. One such alternative, developed in Silicon Valley by a leading economist, is SSEq or Steady-State Equivalence. SSEq seeks to provide an earnings metric for options that is driven by scientific principles.

The [House Committee on Financial Services](#) is expected to hold hearings soon on the issue of stock options. I sincerely hope these hearings will take place so that Congress may evaluate the full impact of FASB's rule and bring together the best minds in the accounting and financial world to consider all the alternatives.

It is the bottom of the ninth for stock options. For the sake of our economy and our workforce, it is vital that Congress and the SEC step back into the batter's box for as many extra innings as it takes to get it right.

*Mike Honda, a Democrat, represents a San Jose-based district in Congress.*

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