



2001 L Street N.W.  
Suite 400  
Washington, D.C. 20036  
TEL 202.872.5500  
FAX 202.872-5501

RECEIVED

94 MAR 23 PM 4:08

MAR 23 2 10:43

ENERGY AND COMMERCE  
U.S. HOUSE OF REPRESENTATIVES  
March 14, 1994

U.S. HOUSE OF REPRESENTATIVES  
OFFICE OF THE CLERK

The Honorable John D. Dingell  
2328 Rayburn House Office Building  
Washington, D.C. 20515-2216

Dear Congressman Dingell:

We write to convey the Business Software Alliance's ("BSA") strong opposition to a proposal currently pending before the Financial Accounting Standards Board ("FASB") that would change the accounting rules for employee stock options to require companies to take a charge against earnings on the grant of employee stock options and other types of equity-based compensation.<sup>1/</sup> As explained below, the FASB proposal would have a disproportionate adverse impact on the U.S. software industry, the fastest growing industry in the United States.

The BSA's concerns with the FASB proposal are as follows: First, we do not believe, and it appears nor do the overwhelming majority of users and producers of financial statements, that implementation of the FASB proposal will improve the meaningfulness of financial statements. In fact, of considerable concern is the possibility that the implementation of the proposal might actually result in more volatile and less accurate financial statements because of the difficulties involved in accurately valuing employee stock options.

Second, as stated, the impact of the FASB proposal would fall disproportionately on computer software and other high technology companies. In the software industry, as in other high tech industries, many companies use very broad-based stock options, with long vesting periods, to attract and retain employees at all levels and to align the interests of employees and shareholders. These are precisely the type of stock option plans that the FASB proposal would impact most.

Third, the proposal would make it more difficult for new software and other high-technology ventures to raise investment capital. This is because the inclusion of highly questionable estimates of stock option values on pro formas could give potential investors and lenders an unfairly negative view of the

<sup>1/</sup> The BSA exists to promote the continued growth of the software industry through its public policy, education and enforcement programs in the U.S. and around the world. BSA members include: Aldus, Autodesk, Apple Computer, Intergraph, Lotus Development, Microsoft, Novell, and WordPerfect.

real potential of such new ventures. Many of the BSA members, now world leaders in the software industry, had their beginnings as small, start-up ventures. The unimpaired ability to grant employee stock options contributed immeasurably to the tremendous success of these BSA member companies.

In March of last year, the BSA released an economic study which documented the tremendous contribution the software industry is making to the U.S. economy.<sup>2/</sup> This study found that the software industry:

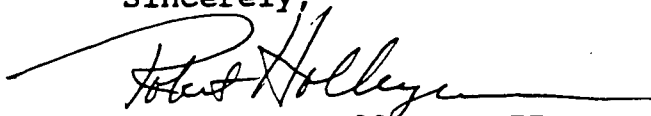
- (1) Is the fastest growing industry in the U.S.;
- (2) Is now larger than all but five manufacturing industries;
- (3) Is contributing to the economy of every state in the nation; and
- (4) Is achieving tremendous success in the international marketplace.

It would be unfortunate if the FASB proposal, however inadvertent, had a chilling effect on the competitiveness of this flourishing industry.

We would greatly appreciate your assistance in contacting the FASB, and the Securities and Exchange Commission, which has oversight authority over FASB, to pass along our concerns.

Thank you for your consideration of our concerns.

Sincerely,



Robert W. Holleyman II  
President  
Business Software Alliance

Enclosure

5009521.1

---

<sup>2/</sup> Stephen E. Siwek, Harold Furchtgott-Roth, Economists Inc., The U.S. Software Industry: Economic Contribution in the U.S. and World Markets (March 1993).