



National Venture Capital Association

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**NATIONAL VENTURE CAPITAL ASSOCIATION COMMENDS
CONGRESSIONAL PASSAGE OF HR 3574, THE STOCK OPTION REFORM
ACT OF 2003**

**Strong Bipartisan Backing Indicative of Support for Country's Emerging Growth
Businesses**

July 20, 2004 – The House of Representatives 312 to 111 passage today of HR 3574, The Stock Option Accounting Reform Act of 2003, sent a strong message to the Financial Accounting Standards Board (FASB) according to the National Venture Capital Association (NVCA). The bill, which received strong bipartisan support, offers an alternative the FASB's recent proposal that mandates the expensing of employee stock options for public and private companies. Notably the Bill calls for the mandatory expensing of only the top five executives of a company and exempts small businesses and private companies from expensing until three years after an initial public offering.

“Our government's checks and balances system worked exactly as it should have today,” said Mark Heesen, President of the National Venture Capital Association. “The FASB had put forth a proposal that was laden with problems and would be damaging to our country's economy. The House of Representatives made it clear that there is a better way of addressing this issue and in doing so protected their respective constituents from bad public policy.”

The NVCA has long asserted that the mandatory expensing of employee stock options will result in unreliable financial statements, due to the lack of an accurate valuation model. Further, the cost of deriving such an expense number will be too high for most young, emerging growth companies to bear. The mandate will cause most companies to abandon or seriously curtail their stock options programs, effectively eliminating a driver for entrepreneurship and economic growth in the United States.

“Congress understands that the FASB proposal creates many problems and solves none,” continued Heesen. “Stock options have set the US economy apart from all others. It is important that we do all that we can to maintain these programs in the name of global economic leadership, jobs and innovation.”

About the NVCA

The National Venture Capital Association (NVCA) represents approximately 450 venture capital and private equity firms. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provide reliable industry data, sponsor professional development, and facilitate interaction among its members. For more information about the NVCA, please visit www.nvca.org.