



March 20, 2003

The Honorable David Dreier  
United States House of Representatives  
237 Cannon House Office Building  
Washington, D.C. 20515

The Honorable Anna Eshoo  
United States House of Representatives  
205 Cannon House Office Building  
Washington, DC 20515

**RE: *The Broad Based Stock Option Plan Transparency Act of 2003***

Dear Chairman Dreier and Congresswoman Eshoo:

On behalf of the National Venture Capital Association (NVCA), I commend you for the introduction of the Broad-Based Stock Option Plan Transparency Act of 2003 and offer our full support for this important legislation.

As you know, the use of stock options is a hallmark of the US venture capital industry and has been a key determinant of its success. In using this tool, venture capitalists encourage innovation and entrepreneurship so that everyone involved – founders, employees and venture capitalists – is successful when the company is successful. There is no comparable alternative tool for these firms to convince talented workers to take on the enormous risks of leaving a stable job at a large company to join a promising start-up.

At a time when many have erroneously equated stock options with corporate governance abuses, I applaud your focus on the true issue at stake: providing an increased flow of meaningful information to investors while continuing to promote the use of broad-based stock option plans. NVCA believes that expensing options under the currently available valuation models would be a disservice to investors -- leading to misleading numbers and lack of transparency on financial statements. Instead, your legislation promoting rational alternatives to expensing such as enhanced disclosure of all options issued would actually provide for better corporate governance and better information for investors without inaccurately distorting the financial income statement.

NVCA represents more than 460 professional venture capital firms located throughout the United States. Most of the companies in which we invest are in the high tech arenas of the Internet, telecommunications, medical devices, and biotechnology that are literally changing the ways we work and live. Your legislation will help ensure that they can continue to do so.

Again, I commend your leadership on this issue and look forward to working with you to pass this important legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark G. Heesen", written in a cursive style.

Mark G. Heesen  
President