

In addition, the Additional Protocol will strengthen the IAEA in its work in dealing with nuclear programs in Iran, Libya and elsewhere and encourage other countries to ratify their own additional protocols.

Clearly, there is much work to be done and the international community will face additional challenges in the near future. Nevertheless, I am pleased that the United States Senate has taken this important step to protect our citizens and our national security interests.

STOCK OPTION ACCOUNTING REFORM ACT

Mr. WARNER. Mr. President, I rise in support of S. 1890, the Stock Option Accounting Reform Act. I am pleased to cosponsor this important legislation, and I applaud the distinguished Senator from Wyoming, Senator ENZI, and the distinguished Democratic whip for their leadership.

I urge all my colleagues to pay close attention to this legislation, and to join those of us who believe that the mandatory expensing of stock options would harm American companies, and more importantly, harm American workers who benefit from the issuance of stock options from their employers.

The Financial Accounting Standards Board—FASB—may soon take action that would require public companies to record employee stock options as an expense. This will unequivocally impede economic growth and stifle the economic recovery of our high-tech sector as well as other industries.

As a result of FASB's proposal, companies will take a massive earnings charge based on stock option "costs". Just as we hope to turn the corner, the tech industry will be disproportionately hit with phantom costs that will undermine general investor confidence in the tech recovery.

Expensing will destroy our partnership culture of distributing stock options to our entire workforce. We know from empirical research that broad-based employee ownership delivers higher returns to shareholders, greater productivity, and increased returns on equity.

In addition, small companies and start-ups, which depend on employee stock options to attract the smartest and brightest, will be dealt a detrimental blow. The costs associated with the implementation of this new rule will inhibit small business growth. In a time when the United States is struggling to keep more jobs in America, this proposal undermines U.S. competitiveness.

Talented and skilled U.S. workers will be forced to look to our competitors, countries such as Taiwan and Singapore, for high paying technology based employment.

It is imperative that the United States retains its status as a global technology leader. Innovation and hard work are two basic fundamentals that

founded our country. Broad based employee stock options provide incentives for workers to work harder, promote savings and serve as an incentive for creating new ideas, which ultimately promotes economic growth.

I commend my colleagues for introducing this important piece of legislation, and it is my hope that you will join me in voting in favor of S. 1890.

Mr. ENSIGN. Mr. President, our worse fears about FASB's seemingly predetermined crusade against stock options have unfortunately proven true. As expected, FASB has released a proposed expensing rule for stock options that is a lose-lose for individual investors and the American economy.

Trial lawyers are gearing up for the biggest windfall of the 21st Century. They will be the only winners in this misguided action. FASB's proposed rule would allow companies to either use Black Scholes or a Binomial method to expense options. Both are flawed models and will yield very different and certainly inaccurate results.

There is no question that market capital will be destroyed when these flawed numbers hit financial statements. Because companies have to choose the method they use to expense, and the inputs that feed into that flawed model, they will most certainly be barraged by class action lawsuits from greedy trial lawyers who will exploit the difficult decisions that FASB is going to force companies to make.

Ironically, despite FASB's stated goal of improving information for investors, individual investors will now have absolutely no ability to make meaningful comparisons between companies. Different companies using different flawed valuation models will confuse and mislead the very people FASB purports to help.

Our technology sector is on the cusp of recovery. We cannot afford to let bad accounting destroy jobs and cripple our global competitiveness. There are bigger picture issues here that FASB is neither tasked with examining, nor equipped to look at. That is the responsibility of the Congress and Administration.

This move represents a tremendous threat to our global competitiveness. Communist China has, as a part of their 5 year plan, the use of stock options. They are setting out to duplicate the success of our very own Silicon Valley and stock options are at the very heart of the Chinese government plan.

This is not about executive compensation. That is a separate and distinct issue. WorldCom and Enron had nothing to do with stock options. In fact, the Enzi-Baker bill says go ahead and expense for the top 5 executives. This is about small businesses and rank and file workers and preserving their ability to use this powerful tool for innovation and growth. This is about preserving broad-based employee stock ownership plans.

Make no mistake about it. If FASB's rule goes into effect, rank and file

workers are the ones that will suffer. We need to support policies that create jobs and wealth for Americans, not destroy them.

Mr. ALLEN. Mr. President, yesterday the Financial Accounting Standards Board, FASB, released an exposure draft of a rule that will require companies to treat employee stock options as an accounting expense. I find this proposal fundamentally flawed for a number of reasons and urge my colleagues to support legislation to prevent this from becoming a reality.

During my time as Governor of Virginia, I witnessed unparalleled growth in the technology sector of my State's economy. Many new and exciting businesses brought their products, services, and, most importantly, jobs to Virginia.

Many of these technology companies that located to Virginia were small "start-ups" with little more than a good idea and the willingness to take a risk for the hope of reward later. These technology companies contributed greatly to the tremendous economic expansion witnessed during the 1990s.

However, technology companies were able to attract and retain top talent and key directors without having to raise large amounts of capital by granting employee stock options. In the end, shareholders and employees won. Employee stock options granted by many technology companies were awarded broadly to employees not only to give them an ownership interest in the company, but also to better align the interests of employees and shareholders.

I think employee ownership and incentives are great. It is desirable to have motivated employees caring about the success of their company. Broad-based employee stock options give employees—from the newly graduated worker to the experienced CEO—ownership in the company. Indeed, a well-respected technology CEO has said that employees with stock options are like homeowners, whereas those without stock options are like renters—there is a difference in the attitude, commitment and level of entrepreneurial spirit. The proposed FASB action will destroy our partnership culture of distributing stock options to the entire workforce of a company. Broad-based employee ownership delivers higher returns to shareholders, greater productivity, increased return on equity, and higher returns on assets.

Unfortunately, the unelected officials of the Financial Accounting Standards Board want to bring this era to an end. In their effort to treat employee stock options as an accounting expense, they are disregarding three fundamental issues. First, employee options are not freely tradable. How do you value something that has no market? How do you put a price on something if it is not for sale? The answer is that you cannot. There is no accurate way to value these options without an open market.

Second, employee stock options are subject to lengthy vesting periods—typically between 4 or 5 years. If the employee changes jobs before the options vest, they are forfeited.

Finally, employee stock options will be exercised only if the stock price rises above the strike price. How does one predict future stock prices with any degree of certainty? There are entire industries dedicated to such a practice, yet I am unaware of anyone who is able to predict with absolute certainty what a stock price will be over a given length of time.

This news is sure to be greeted with joy by our competitors in the Pacific Rim. Entrepreneurs in Taiwan, Singapore and China will not just continue to focus on software development or gene sequencing there. They will create global competitors there which will be listed on those stock markets. They will be free to offer stock options without the burden of expensing and our most talented people will flock there, just as they flocked to the Silicon Valley and Virginia when our technology industries were built.

I find it distressing that a communist country, the People's Republic of China, has companies attracting entrepreneurial people and customers with stock options. Meanwhile, here in America an unelected, prejudicial board wishes to stop such employee ownership, motivation and success to Americans. This proposal will harm the ability of innovative American companies to successfully compete.

Despite the issues I have discussed, FASB is determined to make fundamentally flawed assumptions about future stock price and employment trends. What is more, according to a Bear Stearns report, there will be a 44-percent decline in NASDAQ 100 companies' profits if they would have been required to expense employee stock options in 2003.

I hope my colleagues are aware of the issues and risks posed by moving forward with this flawed proposal. At this time, we need to embrace efforts to keep people working and our economy growing. If FASB is allowed to proceed, the economic effects will be disastrous.

TRIBUTE TO THE HONORABLE JOHN R. LEWIS

Mr. SARBANES. Mr. President, 5 years ago Salisbury University, which is located in the town of Salisbury on Maryland's Eastern Shore, established PACE, the Institute for Public Affairs and Civic Engagement. PACE has a dual mission: to serve the communities of the Eastern Shore, using campus resources, faculty-student research teams and off-campus opportunities like internships and a voter registration drive to promote responsible citizenship and good government; and to promote the active engagement of students in civic affairs. For Salisbury Professors Harry Basehart, of the political science department, and Francis

Kane, of the philosophy department, who together founded PACE and serve as its co-directors, this is a personal mission as well.

Among PACE's many programs is an annual lecture series that brings to the campus distinguished guests to speak on issues of public life, especially issues that most concern Salisbury's students. The speaker this year, on March 29, was Congressman JOHN R. LEWIS, who represents Georgia's 5th Congressional District and is serving his ninth term.

It is fair to say that in all his life from his childhood in rural Troy, AL, through his years as a student leader in the civil rights movement, to his dedicated service in the Congress Congressman LEWIS has never known a day of lassitude, apathy or indifference. He spoke to Salisbury's students from the perspective of his own student years, and I have rarely seen an audience listen with such focused intensity.

As it happens, I was born and raised in Salisbury. I was deeply honored to have the opportunity to introduce Congressman LEWIS to the Salisbury community, and I ask unanimous consent to print my introductory remarks in the CONGRESSIONAL RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

INTRODUCTION FOR CONGRESSMAN JOHN R. LEWIS, PACE LECTURE, SALISBURY UNIVERSITY

(By Senator Paul S. Sarbanes)

It is pleasure to return to the campus of Salisbury University. As many of you know, coming to Salisbury is as always coming home. My parents had come to this country as immigrants from Greece and they settled in Salisbury. I grew up here and went to Wicomico County's public schools. Lifelong convictions and aspirations first took shape in Salisbury.

Today it is a special pleasure to be here, because I have the signal honor and privilege of introducing my congressional friend and colleague, John R. Lewis, as the third speaker in the annual lecture series sponsored by PACE, this University's Institute for Public Affairs and Civic Engagement.

The purpose of the lecture series is to bring distinguished public figures to the campus to speak on issues of public life. That certainly describes Congressman Lewis, who is serving his ninth term in the House of Representatives as the representative of Georgia's 5th congressional district, which includes the city of Atlanta. Congressman Lewis sits on the Ways and Means and Budget Committees, both with critically important jurisdictions. He is universally respected as a legislator. Most recently he guided to enactment legislation to establish a new National Museum of African American History and Culture. The Museum will take its rightful place among our nation's great Smithsonian Institutions on the Mall.

But as many of you surely know—as I hope all of you know—Congressman Lewis's distinguished record in the House of Representatives is but one part of what makes him so special as this year's PACE lecturer.

When PACE was established 5 years ago, its founders Professors Harry Basehart and Fran Kane said their objective was "to save the next generation from the enervating winds of political apathy and cynicism and to play a part in a revival of civil engage-

ment among our students." Through its many programs, including this lectureship, that is precisely what PACE does.

I think it is fair to say that there has not been a single day in John Lewis's remarkable life which has been marked by cynicism, apathy or disengagement. For the full story, I commend to you his absolutely gripping memoir, *Walking with the Wind*. But I want to say a few words about it.

In his memoir, Congressman Lewis tells us that his engagement began as he watched the bus boycott in Montgomery, AL, 50 miles from his home in rural Troy. Martin Luther King put words into action, he says, "in a way that set the course of my life from that point on. . . . With all that I have experienced in the past half century, I can still say without question that the Montgomery bus boycott changed my life more than any other event before or since."

John Lewis was then 15 years old. He was setting out on a long and dangerous road with twists and turns, on a journey demanding inexhaustible supplies of moral and also physical courage.

Today we call that road the Civil Rights Movement. It is central to understanding the history of our country in the past 50 years.

Seen from another perspective, the Movement is the story of John Lewis's life, as he has lived it day by day.

In 1957, John Lewis managed to get to college in Nashville on a full scholarship. There he became a leader in the student sit-in movement, which challenged the laws that allowed African Americans to spend their money shopping in Nashville's stores but forbade them to sit at the lunch counters. David Halberstam has observed that the students had much in the way of ideals and convictions, but they had no protection—"no police force, no judges, no cops, no money."

John Lewis went to jail for sitting down—the first of some 40 times he was to go to jail. Three months later, the lunch counters "served food to black customers for the first time in the city's history."

John Lewis went on the Freedom Rides, which tested the Supreme Court ruling that all vestiges of segregation in interstate travel had to end. As he observes in his memoir, "Issuing the decision was one thing, of course. Carrying it out, as I would soon learn firsthand, was another."

He rode the first bus, which traveled from Washington, DC, to Mississippi. He can recount for you better than I how many times he was beaten and jailed in the course of that ride. The violence that the Freedom Riders encountered was for most Americans unimaginable.

In the summer of 1961, when the ride ended, John Lewis was 21 years old.

There is not enough time today to do justice to that ride, or John Lewis's years as chairman of SNCC, the Student Non-Violent Coordinating Committee, or his speech on the Mall in Washington in 1963. But in this election year I want to comment on the events that took place in Selma, AL, on March 7, 1965. They have gone down in our history as "Bloody Sunday."

On that day several hundred Americans set out to march from Selma to Montgomery, Alabama's capital. Their purpose was to press for the right to vote, a right denied to African Americans. The unarmed marchers were brutally attacked by a "human wave" of "troopers and possemen." John Lewis was among many beaten unconscious.

Bloody Sunday shocked the Nation. Five months later the historic Voting Rights Act of 1965 was signed into law—a direct consequence of the horrific attack at Selma. In the words of Taylor Branch, "The powerful new law broke decades of impediment and heartache."