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**Letter of Comment No: 749**  
**File Reference: 1102-100**

**From:** Steven Rich (strich) [strich@cisco.com]  
**Sent:** Tuesday, April 20, 2004 7:39 PM  
**To:** Director - FASB  
**Subject:** Chairman Robert H. Herz; RE File Reference No. 1102-100

Chairman Robert H. Herz,

I am writing this note to express my concern regarding the release in March 2004 of the FASB draft plan regarding the treatment of stock options (as expenses). I believe this approach is very wrong.

I work in a high technology area of the United States, the San Francisco Bay area. I've worked in the "South Bay" for nearly 20 years since becoming an adult. During my working career, especially after college, it has been my goal to work for companies that focus on technology and offer me additional benefits beyond my salary, especially stock options. The potential of changing the accounting rules to force companies to recognize stock options as expenses would have profound affects on my ability, along with many, many others, to find companies that would continue to provide these benefits as incentives to increase productivity, and motivate current and potential employees.

Technology companies typically foster open, collaborative cultures that motivate employees to contribute more than the norm. I've found that these technology companies have robust stock option plans which give employees an incentive to work harder and smarter. This hard work has resulted not only in the great products and services we've seen in the last 20+ years, but also has resulted in better productivity and corporate financial performance. In smaller firms, typical to Silicon Valley, I've had the great opportunity of contributing beyond what my experience would normally allow me in larger organizations. I have been motivated, not only to do a great job, but have been motivated based on the compensation packages I've been offered and potential for income built within those. These compensation packages have always included stock options. Whether it's working for a 20-person, a 200-person, a 2,000-person, or, like today, a 34,000-person company, stock options have been a compelling factor in focusing my attention on the job of making my company successful! It is a primary focus of how I choose the company at which I want to work.

On a personal note, from 1998 to 2002, I was able to work for a small company that created and sold web application development software. During the course of my four year employment, I worked during a pre-IPO period and also during the post-IPO period. Over the course of 18 months after the company went public, I was fortunate enough to capitalize from the (stock) options given to me as a part of my compensation package. My long hours of helping to build a new business, see it grow, and then see it have public valuation was fantastic! By selling my options, I was able to pay off my debt and put a down payment on a house in Silicon Valley, one of the most expensive places to live in the United States! **The American Dream became a reality for me!**

In my next job working for a 200-person telecommunications company, I was able to see the company claw it's way out of poor economic conditions (conditions we've all seen in recent years) and report increasingly better financial performance which resulted in improved stock performance. Investors recognized our efforts, the efforts of hard working people, to make a difference. Based on this (company and stock) performance, I was able to, once again, sell some stock and place a down payment on a second home.

As an individual taxpayer, a voter, and a U.S. worker, I ask you to reconsider the position that this draft plan outlines. Stock options should not be expensed, at least not at the high valuations being considered. This approach would be unduly burdensome on business, productivity, and all Americans who want to make a difference - including me.

Thank you,

**Steven Rich**

Manager, MeetingPlace Services  
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4/21/2004

