Stacey Sutay

Letter of Comment No: 452 File Reference: 1102-100

 From:
 Matthew Rohm [rohm@cisco.com]

 Sent:
 Monday, April 19, 2004 7:03 PM

 To:
 Director - FASB

Subject: A Letter to Chairman Robert H. Herz

Dear Mr. Herz.

 $\ensuremath{\text{I}}$ am writing this letter to provide you with what $\ensuremath{\text{I}}$ think is an important perspective

on the current debate over expensing of employee stock option programs. I believe

this issue is of extreme importance, as it has the potential to completely change the

engine of innovation and growth which has powered the Silicon Valley over the past

several decades. I caution you that we in the technology industry are at an extremely

important inflection point, where foreign competition and foreign investment in technology

are beginning to shift very important research and development activities overseas.

I am reminded of a similar sea-change which affected the auto industry in my home state in

the '70s. While this analogy isn't exactly correct, I am afraid that we will see a significant

loss of technology jobs if US corporations cannot recruit, compensate, and motivate their $% \left(1\right) =\left(1\right) +\left(1\right) +$

workforce to remain competitive.

I am writing to you as an engineering professional with more than 20 years of experience and a career which includes working at many companies in the Silicon Valley, from small

startups with a hand-full of engineers, to large corporations such as National Semiconductor,

Sun Microsystems, and Cisco Systems. As an employee of these companies, I have

received benefits in the form of stock options from each one. When I look back there

have been a few which provided a monetary return, but many more provided no monetary

return at all. As a result of the few successes, I have been able to finance the purchase of

a home for my family and accumulate funds in investments which will hopefully provide

for the college education of my children and my retirement. I am sure you are well aware

of how expensive real estate is in this area, I cannot imagine ever owning a home here

without the benefit of employee stock options. I am also sure that I am not the only one

who feels this way. There is one other very unique financial aspect to the technical

profession which is not well known, although there are professional organizations such

as the IEEE, or the ACM, there are few if any technical unions for collective bargaining,

and few company retirement or pension plans which you find in other industries. Given

this fact, the vast majority of engineers must rely on benefits such as stock options in order

to provide the financial means to retire. I am sure you can appreciate the motivation of the individual engineer when faced with these facts. I personally feel that I would have changed professions long ago, were it not for the possibility of significant gains through the ownership of shares in the companies to which I contributed ideas, knowledge, and many late nights. Again, I believe this applies to the vast majority of professionals here in Silicon Valley.

I believe that a change to the current accounting rules by expensing options would have an extremely negative effect on an industry which has knows no other method which is more motivating and rewarding to the average employee. I urge you to consider other ways to bring transparency into the issuing of stock options, so that informed investors can see the true value in terms of employee productivity, while being confident that the officers and directors are not abusing the system.

Sincerely,

Matthew Rohm

BSEE '81 Purdue University Technical Leader, Cisco Systems