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Letter of Comment No: 1042
File Reference: 1102-100

From: Peter Capetz [pccapetz@cisco.com]
Sent: Tuesday, April 20, 2004 1:03 PM
To: Director - FASB
Subject: File Reference No. 1102-100 - Stock Option Expensing

Dear Chairman Robert H. Herz,
I am writing to you about stock options and particularly the recent debate on whether companies will be required to expense them. In my career so far, I've had the chance to work in 2-3 different industries and a few companies within each. Presently, I'm at Cisco Systems and I've never enjoyed a company so much (none of them other than Cisco have offered stock options to everyone) - I've been here almost 6 years now. I've been with Cisco longer than any other company and intend to stay. I think the primary reason is the culture at Cisco, which is heavily influenced by the "ownership" that stock options have provided. When I joined, the company was racing ahead & everyone's stock options were quickly gaining value. Naturally this created a lot of excitement and positive energy. Then the stock market went down for technology and down quite a lot for Cisco. Many of the people here didn't sell their options and didn't get incredibly rich, but rather with our sense of ownership we huddled together committed to succeed and we tightened our ship. There's a clear sense of "we're in this together" & I believe stock options are what gives Cisco employees the ownership feeling. In fact my last 3 years at Cisco have been even more fun than the first three years.

We've been working hard to create more value using fewer resources and isn't that what it's all about in every industry? We've seen the tech bubble and have seen it pop & during that time stock options had made many people rich beyond what's normal. But now in the more steady economic environment that we're in, the truer underlying motivation of stock options comes through in the forms of teaming & commitment (plus more). I can see it here at Cisco and in light of the increasingly globalized economy it becomes important that more American companies have the ability to motivate it's employees to be the most competitive in the world. The cost of stock options is already built in as dilution occurs at the time when stock options are exercised, so requiring companies to expense them simply decreases value in a way that's not clear across companies & doesn't make sense.

I strongly urge you to reconsider any plans to require companies to treat stock options as an expense. I believe that expensing stock options is taking a huge step backward for our economy and hope you will agree that in the grand scheme of things motivating employees and increasing productivity is what America needs the most.
Sincerely,
Peter Capetz