Message

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Stacey Sutay

Letter of Comment No: 422-File Reference: 1102-100

Subject: FW: expensing stock options File Reference No. 1102-100, addressed to "Chairman Robert H.

Herz"

----Original Message-----

From: Gatzke, Alan [mailto:agatzke@cisco.com] Sent: Wednesday, April 21, 2004 5:54 PM

To: Karen Salmansohn

Subject: FW: expensing stock options File Reference No. 1102-100, addressed to "Chairman Robert H. Herz"

I just wanted to voice my opinion on the "expensing stock options" issue. As a Cisco employee at the bottom of the totem pole I just wanted to say that stock options are a crucial part of my compensation package. I feel that I am a key contributor to Cisco Systems and deserver to be compensated according to those contributions. If it were not for stock options, I can safely say that the majority of my co-workers would not give a crap about the company. They would just collect their paycheck and do the minimal work necessary to maintain their employment. Stock options are the number one reason why Cisco is such a successful company. If employees were not financially motivated by the stock, then we would not bother being proactive. We would totally rely on management to tell us exactly what to do and we would do the bare minimum. Gee, this sorta sounds like communism! If we no longer use stock options to compensate for going the extra mile and rewarding ingenuity and proactive behavior, we might as well just call it quits and let China take over as being the world's supplier of networking and telecom gear. Although it will be very difficult for the US government to tax all of those Chinese companies and Chinese employees!

I paid an awful lot in income tax last year. A nice sizeable portion of that was from my stock options. The one nice thing about expensing stock options is that my income tax will be greatly reduced since I will no longer have any options to exercise. Has any done any "what is impact on the IRS" studies regarding this issue? I hope so. I can guarantee you that the US government will receive less money in taxes if options get expensed.

Take a look at the following email sent by one of our engineers:

We need to spend some time optimizing our application for the load being run.

In testing the configuration here are some things that I noticed that we could optimize:

- 1) The resource monitor thread is in a tight loop with sleep(1). When I killed this thread our CPU usage improved 3-5%.
- We had threads with 3000 context switches in a second. That seems like a tremendous amount to me and we should be able cut that down.
- 3) We really need to drop the priority of the ExchangeMonitor during a resync.
- 4) Look at optimizing the call handler code, because it is used so often.
- We should look at optimizing our code for answering calls.
- 6) The routing rules could use optimization.
- 7) We use a few SQL queries that perform table scans. We need to be careful about this.

This suggestion came from one of our "Junior Engineers". It was unsolicited. Why would be take the extra time to bring these issues to my attention? Because he wants Cisco to be successful. He is motivated to protect his stock options. If he did not have his options, I seriously doubt this type of proactive behavior would have occurred. FYI, our upper management took his suggestions very seriously and created an action plan to address the issues. This all took place because of stock options.

Please, please, please protect our way of life here in America. I am not a millionaire. I am just an average Joe in America working as hard as I can to do make the most of my God given talents. If this isn't the land of opportunity, then let me know now so that I can move else ware. Somewhere out there is a country that would be happy to use my talents and happily tax the income that it generates.