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**Letter of Comment No: 1992**  
**File Reference: 1102-100**

**From:** Kathy Kyllonen (kkyllone) [kkyllone@cisco.com]  
**Sent:** Monday, April 26, 2004 2:52 PM  
**To:** Director - FASB  
**Subject:** File Reference No. 1102-100  
**Importance:** High

Chairman Robert H. Herz;

I am sending you this email in response to your pending decision on expensing of stock options.

I have not had a pay raise in nearly eight years of employment at Cisco. I do not have a pension plan and I am convinced that the Social Security program will not be available to an individual in my position. I am not an executive within Cisco Systems, I am an individual contributor.

Yet, I believe my company has been very generous to me throughout my career here. I have consistently been granted non-qualifying stock options. These options allow me to enjoy increased net-worth and have enabled me to save for retirement. Stock options, as a form of compensation, in essences, forces me to save for retirement, I do not "spend" everything I earn. Through my company's generous distribution of stock options, they are enabling their entire workforce to save for our own futures, to be more self reliant, and less dependent on public sources during our retirement years.

I am an owner of my company, and every employee of Cisco is an owner as well. As a company shareholder and owner, we care about the impact we can have on the success of this company. If we are successful, the stock price increases, our savings and quality of life during retirement years increases as well. We also care about external influences, such as the potential mandate to expense stock options. The negative impact of expensing options on Cisco, will have a perhaps even greater negative impact on me and all of my coworkers as well. This impact has a direct, correlated negative impact to my ability to continue to receive stock options, save for retirement and grow my savings over the long term.

I believe that should the expensing of stock options become a reality, Cisco Systems will be forced to keep the number of employees at the same or slightly lower level to remain competitive and to continue to attract investors. As a company that grows 10-20% per year, that means more hours worked for less pay and more stress for the existing employee base. This could have a potential negative affect on my health and the health of my coworkers. Cisco is the global leader in technology for empowering the Internet Generation, our mission is to change the way people live, work, play and learn. We need to be able to continue to invest in our most strategic asset, our employees and attract the best talent worldwide. We need to be able to compete on even footing in the global marketplace...being burdened by this cumbersome and unnecessary change in accounting (expensing of stock options) would surely drive us to a disadvantage in the global economy.

I strongly urge you NOT to expense options, especially at high, unrealistic values. My future depends on it, my company's future depends on it...and yes, even the future health of the U.S. economy depends on it as well.

Thank you for your consideration.

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