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**From:** RLMoore52@aol.com  
**Sent:** Wednesday, May 05, 2004 6:38 PM  
**To:** Director - FASB  
**Cc:** senator@dewine.senate.org; senator@voinovich.senate.gov; senator@allen.senate.gov; Alan.Moore@ey.com; jomoore@cisco.com; senator@nickles.senate.gov; jmoore5274@yahoo.com; RLMoore52@aol.com  
**Subject:** Expensing Stock Options

Chairman Robert H. Herz,

I am convinced that the current thrust of the FASB to expense stock options is not good for America, reporting by public companies nor employees of companies that issue stock options.

I am a retired financial executive and a long-time member of Financial Executives International. I am the former Chief Financial Officer of three public companies and a Senior VP-Finance of another public company.

I implemented, with pleasure, many of FASB's rulings in the 1970's and 1980's. Overall, they improved the reporting to shareholders. Many cost significant expenditures of time and money, but I supported them and saw them through to implementation. In particular, I remember FASB 52 where I had to explain to our European operations the validity of moving to functional currencies. I had read that FASB documents were at the post-doctoral level of English. Nonetheless, I was able to explain and convince, without speaking a foreign language, to folks whom had taken the trouble to learn English, that FASB had the right idea and guidelines.

This is not the case with expensing stock options. Options are already reflected in earnings per share calculations with before and after "dilution". Expensing options is "double charging" - once as an expense and second time as dilution.

As Chief Accounting Officer at Progressive Corporation as Senior VP Finance I used the Black-Scholes (sp) method of valuing put and call option options in Progressive's multi-billion dollar portfolio. They were mere approximations at best. Actual results varied wildly from month to month and especially looking back after they were closed out. However, each option was a tiny percentage of the entire portfolio. To introduce this volatility to an entire company is misleading to shareholders and all other stakeholders.

During my business career, I have dealt with operations in over twenty countries on four continents - and stayed aware of the rest of the world. The most powerful difference between America and the rest of the world is that broadly-based stock options provide the economic incentive for Americans to achieve the "American Dream". No other country provides the opportunity for hard-working folks to become affluent or wealthy. I do taxes on a part-time basis for several months per year. I have seen how America attracts the "best and brightest" from many countries - many of whom are attracted by stock options.

On a personal level, I have seen the powerful impact of stock options for our children. My stock options at Reliance Electric - when I was a middle manager - (now part of Rockwell) financed the college education of all four of our children.

Once again on a personal level, I have seen the powerful impact of stock options with our older son (in VA and formerly CA) at Cisco Systems. They have enabled him to set aside funds for his sons' educations. In sharp contrast, our younger son (MI), a partner at Ernst & Young, and a dutiful implementer of FASB rulings, does not have the benefit of stock options in a partnership. Our now only daughter (in OK) is a physician where stock options are non-existent. Even though our latter two children earn significant incomes (and pay huge taxes), they will not have the opportunity to earn, via stock options, the full rewards of their many years of education and decades of hard work.

If stock options are expensed against Earnings Per Share, as well as with "dilution", this double charge will cause stock options to be much more limited. We will become more like Europe where opportunities to become wealthy require one to go to America.

Respectfully,

Robert L. Moore  
Cleveland, Ohio

5/6/2004