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Letter of Comment No: 3246
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From: MVargo@amdpi.com
Sent: Friday, June 04, 2004 4:14 PM
To: Director - FASB
Cc: ccgmail@nasdaq.com
Subject: File Reference No. 1102-100

To whom it may concern:

I am writing to express my opposition to FASB's proposed rule requiring the mandatory expensing of stock options.

I am the Chief Accounting Officer of American Dental Partners, a Boston-area based company listed on NASDAQ. I am sure that you have received many messages regarding the effects of stock options on employee motivation and the ability of the US economy to maintain our competitive global position, both of which would be negatively impacted by a requirement to expense stock options.

I have spent my entire career as a professional accountant, a CPA & MBA, quite versed in business strategy, organizational motivation factors, and as you can image, accounting theory. From my perspective, the currently proposed FASB ED on stock option expensing is more than counter intuitive, is it fundamentally flawed. As you know, the current proposal would expense a charge to a company's operating statement for an event that has not and may never occur, namely, the exercise of an employee's stock options. Additionally, the current calculation of this expense is under a valuation methodology devised for an entirely different purpose (Black-Scholes) and there is not a workable proposal today on what valuation method would create a valid "prediction" of what the value of a traded security could be in a future period.

When I have historically presented financial statements to operating managers at my company, my training has taught me to be prepared to explain the "economic" reality of the numbers and to tell the "story" behind the numbers. If proposal is enacted as outlined, I intend to caution my operating managers that this charge is not indicative of the performance of the company, in other words, I will follow the path I believe most professional stock analysts will follow, which is to suggest that the reader of the financial statements ignore this charge on the operating statement in their analysis in order to understand the true performance of the company.

From an accountant's perspective, it is difficult to explain, however theoretically based, that an expense is being charged against current operating income for an event that has not and may never occur. The shear debit and credit that is required to effect this transaction suggests that the accounting theory is disconnected from reality.

I urge the FASB to delay enactment of this Statement to permit further study of alternative approaches to this issue. It is my sincere feeling that accounting rule making, like this proposal, makes it difficult to maintain the perception and reality of our professional accountants as the guardians of transparent financial accounting.

6/7/2004