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Letter of Comment No: 2752
File Reference: 1102-100

From: GSerrao@amdpi.com
Sent: Tuesday, June 01, 2004 10:58 AM
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.

By way of background, our company, American Dental Partners, Inc. ("ADPI") is listed on NASDAQ and has been publicly-traded since April 1998. In going public ADPI had 3 main objectives: provide a venue for employee ownership, gain access to capital and provide an employee incentive in the form of stock options.

Given FASB's current proposals regarding expensing of discounts on employee stock purchase plans and mandatory expensing of options, 2 of our 3 objectives will be negatively impacted. We are a relatively small company and the cost of expensing these items will most likely result in us restructuring, reducing or eliminating our plans. This is very concerning particularly given the fact that much of our success is due to the individual efforts of our employees and it is the employees who lose. Our employees are tax paying citizens and in that regard our country loses as well.

What is particularly concerning is the fact that none of this makes economic sense. First, the cost of stock options is already accounted for in the earnings per share calculation. Including an expense would overstate their true cost to shareholders. Second, there is no mathematically correct means in which to predict the value of company-issued stock options. Our company is a great case study for this. We have issued options every year since we were founded in 1996. Over the years our stock price languished and for the longest time the options appeared to have little or no value. How would we have calculated expense in our case when the assumptions for the stock option valuation models would have been guesses at best? No matter the methodology chosen, the resultant calculation would have been purely theoretical.

FASB's proposed rule does not appear to have sufficient forethought and guidance as to the valuation methodology. As a result, companies will be left to determine their own valuation methodology and then engaging in tedious and expensive discussions with their independent auditors regarding proper valuation methodologies. Again, this is purely a theoretical exercise because no one can accurately predict the future performance of a listed security.

Our company endorses the Stock Option Reform Accounting Act (H.R. 3574/S.1890), bipartisan legislation that would delay implementation of the Financial Accounting Standards Board's (FASB) expensing rule pending further study on the proposal's economic impact. We encourage FASB to reconsider its position in fact of the many valid arguments in favor of adopting H.R. 3574/S. 1890.

Sincerely,

Gregory A. Serrao
Chairman, CEO and President
American Dental Partners, Inc.

6/1/2004