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Letter of Comment No: 3250

File Reference: 1102-100

From: bfeigh@amdpi.com
Sent: Friday, June 04, 2004 7:27 PM
To: Director - FASB
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, American Dental Partners, Inc. ("ADPI") is listed on NASDAQ and has been publicly-traded since April 1998. ADPI's CEO and CAO have already submitted their comments regarding the proposed accounting treatment for stock options. I would like to add two further comments. The first of my two comments draws on my prior career experience working in the investment community with Dean Witter Reynolds, Baring Brothers and Roberston Stephens & Company. The second of my two comments draws on my current observations as a CFO.

As a public company with institutional shareholders and research analyst coverage, I have observed that both institutional investors and research analysts are preparing income statement analyses which back out the non-cash expense of stock options for companies that have chosen to early adopt. Thus, analysts and investors do not see option expensing as an economically correct way to evaluate a company's financial performance. They are not, though, eliminating the dilutive impact from the weighted average shares number. Thus, it would seem the market is already telling us what is the appropriate method for evaluating the impact of stock options -- the dilutive impact to current equity owners.

As I understand, there is acknowledgement that Black-Scholes may not be the most appropriate means for valuing options issued to employees (as compared to exchange traded options) but that there will be no specific valuation methodology given. As a result, companies will have significant judgement to apply in determining the appropriate expense. This judgement and associated assumptions will make comparisons between companies irrelevant. Further, American Dental Partners' benefits consulting firm recently made a proposal for more accurately valuing our stock options using a methodology different from Black-Scholes. Their proposed consulting fees would approach the income statement savings associated with alternative valuation approach over the life of the options. As a result, American Dental Partners would invest significant additional time evaluating the appropriate option expense and would convert a non-cash expense to a cash expense as a result of the consulting fees.

I would suggest, based on my professional experience, that the FASB carefully re-evaluate the purpose of the proposed accounting methodology.

Sincerely,

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Financial Officer & Treasurer
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