Letter of Comment No: 5022

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From:

Dominic Montisano [DMONTISANO@idun.com]

Sent:

Friday, June 18, 2004 12:07 PM

To:

Director - FASB

Subject: Employee Stock Options

Dear Sir:

I have been informed of the proposals regarding the expensing of stock options. I work at a biotechnology company in San Diego, California. We are a privately-owned, venture capital funded, development stage company with over 50 employees. We are working on Nobel-prize-winning technology to develop new drugs for liver disease, asthma and cancer. We are cash-constrained and rely heavily on stock options to attract and retain skilled employees. We intend on going public in the next twelve to eighteen months, market conditions permitting.

I am concerned that the current proposals to expense stock options not only overstate the value of stock options but actually distort the financial statements. The application of uncertain assumptions have a huge impact on the amount of the expense recorded, suggesting a limited usefulness of the outcome. I am further concerned that the recorded expense associated with stock option issuance will result in fewer options being granted to employees impacting both the motivation of existing employees and the ability to attract new talent to the company. I urge you to delay the implementation of these accounting rules as they may have unintended consequences. Everyone involved must better understood the anti-competitive implications, the cost and burden of complex calculations with little benefit and, the resulting confusion to the investor.

Thank you.

Sincerely,

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