



Letter of Comment No: 4381  
File Reference: 1102-100

By email: [director@fasb.org](mailto:director@fasb.org)

Financial Accounting Standards Board  
Director of Major Projects  
File Reference No. 1102-100  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

June 18, 2004

Re: **Share-Based Payment, an amendment of FASB Statements No. 123 and 95**

Dear Sirs and Madams:

I am the President & CEO of ASMR, Inc. which is the for-profit venture arm of the American Society for Microbiology a 104 year-old association with over 40,000 members worldwide. We invest in early-stage biotechnology ventures bringing cutting edge technologies from the bench to the marketplace. I am writing to express my company's grave concerns with the stock-option expensing requirements described in Proposed Statement of Financial Accounting Standards, Share-Based Payment, an amendment of FASB Statements No. 123 and 95 (the Exposure Draft). Undoubtedly, this proposal, if implemented, will have a negative impact on the future of the biotechnology industry in the United States and, more specifically, upon the ability of our portfolio companies to continue to grow and attract the future rounds of investments needed to reach the market with treatments and cures for under served patients and their families. Moreover, if stock-options are expensed, my company will have significantly more difficulty obtaining accurate and meaningful financial information from our portfolio, and prospective portfolio companies. I urge you to delay implementation of these requirements and to consider alternatives that would require enhanced disclosure of employee stock options and their dilutive effects on the price of shares.

Over the past decade, biotechnology has fast become a global industry. What's more, the U.S. biotech industry has become the standard other countries aspire to in developing robust, entrepreneurial biotech communities. The vast majority of companies that comprise this community in the U.S. do not yet have products in the marketplace. Instead they are engaged in a 10-12 year effort to get their first product approved. During this period, they use stock options to leverage tight payroll budgets and attract the world's best and brightest scientists and technicians and to retain them through the product development cycle. By targeting stock options as an expense, however, the most talented scientists and researchers are much more likely to depart the U.S. for other nations. We must maintain our competitive edge in attracting the world's top scientists.

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In addition to the detrimental effect on industry recruitment, the FASB completely disregarded widespread concerns about the inability to accurately value employee stock options. Without a precise and reliable valuation method, mandated expensing will substantially over-inflate the value of employee stock options, resulting in financial statements that do not serve investors, shareholders or employees. The high stock price volatility in our industry, when combined with other highly subjective assumptions, can yield an unacceptably wide range of results. While it may be useful to disclose a hypothetical charge in the footnotes to the financial statements, the inclusion of employee stock option expense in the statement of operations will result in less clarity consistency and reliability of the financial statements. The sensitivity of the option pricing models to the significant estimates and judgments would permit two similar companies to have significant differences in the reported expenses.

Because it costs hundreds of millions of dollars over the course of a decade to bring a new product to market, biotech companies rely on a steady influx of capital from investors to fund research and development. As investors weigh competing opportunities, they look to financial statements for clear, accurate information about each company's performance. Mandatory expensing under the FASB's proposed approach, however, will cause unnecessary distortion in the companies' financial statements. As a result, biotech companies forced to expense the estimated fair value of stock options may well find themselves at a disadvantage versus other types of ventures with shorter product development cycles.

Once again, I urge you to delay implementation of these requirements and to consider alternatives that would require enhanced disclosure of employee stock options and their dilutive effects on the price of shares. I understand the need for corporate reform, but penalizing entrepreneur companies that were not the target of these reform efforts, is not the answer. For the benefit of patients and their families, please preserve one of the key underpinnings of the engine that has driven the creativity of the world's most innovative healthcare industry.

Sincerely,

A handwritten signature in black ink that reads "Christine D. Copple". The signature is written in a cursive, flowing style.

Christine D. Copple, Ph.D.  
President & CEO