

ikon

From: Maricela Plascencia [maricela.plascencia@inamed.com] on behalf of Robert Vaters [robert.vaters@inamed.com]
Sent: Tuesday, June 29, 2004 4:16 PM
To: Director - FASB
Subject: File Reference No. 1102-100

Letter of Comment No: 5501
File Reference: 1102-100

June 29, 2004

Director of Major Projects File Reference No. 1102-100

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

To the Financial Accounting Standards Board:

This letter is in response to the invitation to comment regarding the accounting for stock based compensation as it relates to FAS 123. We are responding largely to issue number 1 relating specifically to the boards decision to expense options.

We strongly oppose mandatory expensing of stock options as we do not believe their value can be reliably and objectively measured using any valuation model.

FASB's plan will not improve corporate governance and will not help investors gain a complete understanding of a company's finances. In fact, we believe the extremely complex methods of measuring the value of stock options would only allow for larger inconsistencies among different companies within the same industry. Also if companies are allowed to adopt different valuation models, inconsistent valuations and investor misinformation will be the result which will confuse and intimidate the less sophisticated investor.

The requirement to expense options will eliminate in most cases the use of options as a method for obtaining and retaining valuable employees. In fact, most plans will be tailored to top officers only and will hurt rank and file workers. Broad-based options plans are an entrepreneurial incentive that sparks innovation, enabling the creation and growth of successful companies that in turn provide jobs. Broad based plans help align the interest of employees with that of their companies.

The current guidelines for disclosure in the financial statements provide the investor with large amounts of information to effectively evaluate the company's financial position. A decision to expense will not provide new or better information to investors. We believe shareholder dilution is the true effect on the company, which is currently adequately disclosed within the denominator of the earnings per share calculation.

However, if the FASB still requires expensing based upon a calculation of fair market value, we believe that the Board should require all preparers to follow a single set of guidelines. These guidelines need to be clear and consistent without exceptions, alternatives or exclusions. Allowing a choice of alternatives will only make the valuations less consistent, highly complex calculations and assumptions will only confuse investors.

Having multiple methods of valuation and expensing during the transition period also serves to complicate and confuse investors.

6/30/2004

For these reasons, we strongly urge the Board to not require mandatory expensing of stock options.

Sincerely,

Robert S. Vaters
Executive Vice President, Chief Financial Officer, Inamed Corporation