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From: Laurie Kudzma [lkudzma@celgene.com]
Sent: Wednesday, June 30, 2004 2:40 PM
To: Director - FASB
Subject: Comments on Proposed FSP

Letter of Comment No: 5532
File Reference: 1102-100

June 30, 2004

Via E-Mail and Regular Mail
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Dear Sirs:

Having held the FASB in high regard for so long, it is with great regret and reluctance that I am writing in opposition to your proposal to change the accounting for employee stock options. I am extremely concerned that the proposed changes will, in fact, produce results very different from those intended. This change runs the risk of significantly damaging both the integrity of individual financial statements and the credibility of the overall system of financial reporting. There is a high probability it will lead to the more common use of non-GAAP measures to insure comparability among companies. Please take more time to fully consider the impact of this proposal.

I am especially concerned about the timing of the proposed implementation. I am sure that you know that the most widely used employee stock option software tools to manage stock options do not even have a binomial option valuation module. The likelihood for substantial differences in valuations for similar companies will be significant. These variances will lead investors to seek non-GAAP measures to insure appropriate operating comparisons. Your efforts to limit the increasing role of non-GAAP measures in financial statements will be dramatically undermined. More importantly, it will be clear to a broader audience that the non-GAAP numbers will be a more accurate relative representation of comparative operating performances among companies. The lack of rigorous data to evaluate different valuation methodologies necessitates continued study prior to implementation in the financial statements versus footnote disclosure.

There are numerous additional economic and financial reasons that have been well documented that argue against adoption of this proposed change. Most importantly the credibility of your organization is at stake. This action is being perceived as an ineffective short-sighted reaction to abusive conduct at a small number of firms that will have a negative impact on the economy and on the integrity of our accounting principles. You are recommending the adoption of a process that will lessen accuracy and add more speculative estimates to the core financial statements at a time that we should be moving in the opposite direction. Bottom-line, this proposal is bad business and bad accounting.

Respectfully submitted,

Robert J. Hugin
Senior Vice President and Chief Financial Officer
Celgene Corporation

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