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Letter of Comment No: 2//9
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From:

Mark W. Schwartz [mwschwartz@bayhilltherapeutics.com]

Sent:

Friday, June 04, 2004 12:58 AM

To:

Director - FASB

Subject: Stock Option Expensing

Dear FASB Director.

As the CEO of a small biotechnology company working on new and needed cures for multiple sclerosis and diabetes, I would like to express my opposition to your proposal concerning the expensing of stock options. Stock options have successfully provided incentive for employees at all levels in small, early stage companies, and have been instrumental in productivity gains that have propelled the US based life sciences industries into a position of world leadership. If enacted, the FASB proposal will ultimately undermine stock options as a tool that has successfully aligned the interests of shareholders with employees.

From a purely accounting perspective, the valuation methods proscribed will not result in a better depiction of a company's economic health or more transparent financial statements. Furthermore, the cost of implementing these inaccurate valuation methods will be a much greater burden on startups and nonpublic entities.

The unintended consequences of your proposal to expense stock options will put a damper on the growth and productivity of the most important emerging areas of the economy. Please consider leaving the current standards of stock option treatment in private companies alone, and protect the engine of growth that drives American entrepreneurship.

Mark

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