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Letter of Comment No: 2805

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**From:** Lange, Louis [Louis.Lange@cvt.com]  
**Sent:** Thursday, May 27, 2004 1:36 PM  
**To:** Director - FASB  
**Cc:** jcdowling@nvca.org  
**Subject:** Reference File No. 1102-100



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Members of the FASB:

I am a founder of CV Therapeutics, a biotech company in California that is developing new treatments for heart disease. Previously, I was Chief of Cardiology in St. Louis, Missouri at Washington University and moved from academic medicine to the start-up world in 1992. Over the past 12 years, we have grown to 300 employees and have 4 products in clinical development. I also have served on a number of other biotech boards.

For our company and others, it is our long-proven practice for both investors and founders to share the ownership of start-up companies with employees through stock options. Start-up companies are cash constrained and stock options allow the recruitment and retention of talented people into often risky and volatile environments. Stock options are highly motivating to all employees and generate the most discussion in the meetings of compensation committees. Most importantly, all investors have a clear picture of the cost of this practice as measured by "fully-diluted" financial reporting.

This is a simple concept - shareholders agree to give management and the employees a share of company ownership. Expensing stock options is double counting. Moreover, the methods of valuation associated with expensing options will create a real burden for entrepreneurial companies. They will add significant cost to the reporting function and create confusion for the readers of the financial statements of these small companies. This is a painful and unnecessary side effect of your broad brush solution. In creating this solution, the FASB has recommended a fundamental change to an important concept that is a critical driver of America's proprietary advantage and most precious resource - entrepreneurial innovation. I think this idea is a bad one!

Sincerely,

Louis G. Lange, M.D., Ph.D.  
Chairman & CEO  
CV Therapeutics, Inc.  
650-384-8501