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Letter of Comment No: 2740
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From: Tom McLain [Tmclain@nabi.com]
Sent: Wednesday, May 26, 2004 8:23 AM
To: Director - FASB
Subject: Expensing Options

Dear Sir or Madame:

I am writing to express my opposition to the FASB's plan for mandatory expensing of options. As Chairman, Chief Executive Officer, and President of a public biopharmaceutical company, I believe that the FASB's plan has serious flaws, particularly in valuation models, and that rather than improve corporate governance and help investors, it will more likely confuse them.

Stock options are a valuable and vital tool that we use to attract and retain talented employees at many levels in our company. Broad-based equity compensation plans are effective in aligning the interest of employees with that of investors in the company. This in turn has helped our company to succeed and grow, meaning increased employment, increased business investments, and increased return to shareholders. Mandatory expensing of stock options will discourage the use of broad-based equity compensation plans in general and stock option plans specifically, thereby disadvantaging and discouraging entrepreneurship and business development. This would have far-reaching negative effects on many U.S. industries and especially growing sectors of the economy such as biotechnology and biopharmaceuticals.

In addition to the adverse public policy consequences that will result from expensing stock options, the adoption of FASB's different valuation models will result in inconsistent valuations between companies. Our work with the model to date has led us to conclude that it is impossible to create an accurate accounting value for stock options, and expensing based on available methodologies would in fact undermine the credibility of financial statements.

I believe that the FASB's plan is ill advised and represents a real threat to the growth of U.S. businesses, its workforce, and the economy. I support the Stock Option Reform Accounting Act (H.R. 3574/S.1890) bipartisan legislation that would delay implementation of the expensing plan pending further study of its impact on the U.S. economy.

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