

VIA EMAIL



October 9, 2007

LETTER OF COMMENT NO. 5

Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
File Reference: Proposed FSP APB 14-a
Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Proposed FSP APB 14-a - Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)

Dear Mr. Golden:

Allergan, Inc., a Delaware corporation ("Allergan"), appreciates the opportunity to respond to the Financial Accounting Standards Board (the "Board") regarding the Proposed FSP, *Accounting for Convertible Debt Instruments that May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (the "Proposed FSP"). Allergan is a publicly traded, specialty pharmaceutical company listed on the New York Stock Exchange under the symbol "AGN."

Allergan supports the Board's efforts to clarify the accounting for convertible debt instruments. The actual economics of these types of financings have historically been distorted by accounting rules that ignored the real value of the equity components and the true economic cost of the underlying debt. Accordingly, we agree with the method of separation described in Issue 1. We do not agree with valuing the embedded equity conversion component and then allowing the remaining proceeds to represent the value of the issuance to the liability component. The fair value of the liability component should generally always be the more reliably calculated component, with the remaining proceeds from the issuance assigned to the value of the embedded equity conversion component.

Allergan agrees with the Board's position described in Issue 2 and believes the illustrative example in Appendix A (Issue 3) improves the understandability of the guidance.

That said, Allergan disagrees with the proposed timing for adoption of this Proposed FSP. Allergan believes this Proposed FSP should be effective for fiscal years beginning after December 15, 2008 (i.e., January 1, 2009 for calendar year registrants). Registrants such as Allergan that report these types of convertible debt instruments need sufficient time to plan for and manage the effects of this change in accounting principle, both with its investors and holders of its debt securities. Certain debt covenants in outstanding public debt and other banking obligations may need to be modified in order to

accommodate the financial statement impact of these changes. If such changes are not modified properly and in a timely fashion, debt covenants could be violated. Requiring this Proposed FSP to be effective with only one quarter's notice to registrants is simply not practical.

Another point to consider is that the recent adoption of new accounting principles such as Statements of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, and No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* and FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109*, have already created for users of financial statements an unsettled environment for comparability of financial statements. The adoption of another major shift in accounting practice in so short a time creates uncertainty in the minds of users of financial statements that the accounting standards themselves have no consistent historical application and therefore may not be wholly reliable going forward because new interpretations are being adopted at greater speed than ever before. Allowing the users of financial statements more time to adequately consider the pending change in accounting principle should engender more trust in the accuracy and soundness of the change.

A final point to consider is that all of the recent adoptions of major new accounting standards are not easily processed by automated accounting systems, thus increasing the risk for potential misstatement and increasing the need for significant adjustments in internal controls over financial reporting. These recent standards all require significant judgment and manual processing to get it right. The application of these new accounting standards significantly increases the likelihood that a material misstatement may occur. By allowing the effective date of the Proposed FSP to be one year later than currently proposed, this potential risk of misstatement will be significantly reduced by allowing companies more time to put reliable procedures in place to get it right.

Summary

Allergan agrees with the technical merits contained in this Proposed FSP that support the underlying change in reporting for the economics of these types of convertible debt instruments. However, Allergan believes that the current proposed effective date should be delayed one year to fiscal years beginning after December 15, 2008.

Thank you for your consideration.

Respectfully,

James F. Barlow
Senior Vice President
Corporate Controller
(Principal Accounting Officer)

Jeffrey L. Edwards
Executive Vice President
Finance and Business Development
Chief Financial Officer
(Principal Financial Officer)