



LETTER OF COMMENT NO. 21

October 15, 2007

MBC

Massachusetts Biotechnology Council

Mr. Russell G. Golden
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Financial Accounting Standards
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Re: File Reference: Proposed FASB Staff Position No. APB14-a, Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (Including Partial Cash Settlement)

Dear Mr. Golden:

The Massachusetts Biotechnology Council (MBC) appreciates the opportunity to comment on the Financial Accounting Standards Board (FASB) proposed staff guidance, FASB Staff position No. APB 14-a, Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (Including Partial Cash Settlement).

MBC is a not-for-profit trade association representing more than 550 companies in Massachusetts and beyond and is considered one of the nation's leading state-based biotechnology associations. Our members are bringing value to patients and consumers around the globe by developing and marketing products that address vast unmet medical, agricultural, environmental, and industrial needs.

As President of the MBC and one who has also had significant experience in the financial services and investment sectors, I can tell you that our membership is deeply concerned about the FASB Staff Position, which we are convinced will create problems for both companies and investors operating in our extremely capital-intensive industry. In consultation with experts at the Biotechnology Industry Organization (BIO), and following a sample survey of our membership, we have ascertained that the following are the top concerns and responses to same regarding the Staff Position as expressed by our affected member companies.

- 1. Changes to Convertible Debt Accounting Should Be Addressed Under FASB's Liability and Equity Project**
- 2. Implementation of Proposed Guidance Should Be Effective in 2008**
- 3. Implementation Should Only Apply on Prospective Basis**
- 4. Inconsistencies in Accounting for Instrument C Convertible Debt and Conventional Debt Will be Misleading to Investors**

5. Changes to Instrument C Convertible Debt Accounting Should Also Address Related Financial Instruments

MBC recognizes that FASB's mission is to make accounting procedures as transparent as possible for both companies and their investors, and we salute the great effort that has been put forth. Unfortunately, we concur with our colleagues at BIO that Staff position No. APB 14-a does the opposite by separating financial reporting from economics. It would be most unfortunate if changes in accounting practices might inadvertently lead to a reduction or elimination of promising programs at affected biotechnology companies.

Again, MBC appreciates the opportunity to comment on FASB's very complicated and technical proposed guidance on convertible debt. If you have any questions about our position, please feel free to contact me directly.

Sincerely yours,

Robert Coughlin
President
Massachusetts Biotechnology Council