



J. Donald deBethizy, Ph.D.  
*President and CEO*

June 28, 2004

**Letter of Comment No: 6509**  
**File Reference: 1102-100**

Financial Accounting Standards Board  
Director of Major Projects  
File Reference No. 1102-100  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Dear Sirs and Madams:

I am writing to express my concerns with the stock-option expensing requirements described in Proposed Statement of Financial Accounting Standards, Share-Based Payment, an amendment of FASB Statements No. 123 and 95 (the Exposure Draft). This proposal, if implemented, will have a negative impact on the future of the biotechnology industry in the United States. It will have severe negative consequences on my company's ability to attract future capital and provide accurate and meaningful financial information to shareholders. I urge you to delay implementation of these requirements and to consider more objective based alternatives that would provide enhanced disclosure of employee stock options.

Over the past decade, biotechnology has rapidly become a global industry. Furthermore, the U.S. biotech industry has become the standard other countries aspire to in developing robust, entrepreneurial biotech communities. The vast majority of companies that comprise this community in the U.S. do not yet have products in the marketplace. Instead they are engaged in a 10-12 year effort with significant risks and capital needs before they are able to bring a product into the market. During this period, they use stock options to leverage tight payroll budgets and to attract and retain the top scientific and experienced management talent needed to be successful.

In addition to the detrimental effect's noted above, the FASB has disregarded widespread concerns about the inability to accurately value employee stock options. Without a precise and reliable valuation method, mandated expensing will erroneously estimate the value of employee stock options, resulting in financial statements that do not serve investors, shareholders or employees. The high stock price volatility in our industry, when combined with other highly subjective assumptions, can yield an unacceptably wide range of results. While I believe that it is useful to disclose a hypothetical charge in the footnotes to the financial statements, the inclusion of employee stock option expense in the statement of operations will result in less clarity, comparability and reliability of the financial statements. The sensitivity of the option pricing models to the significant estimates and judgments would permit two similar companies to have significant differences in the reported expenses.

Financial Accounting Standards Board

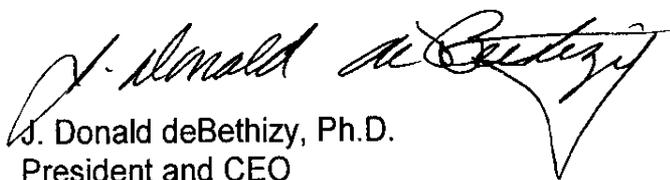
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Because it costs hundreds of millions of dollars over the course of a decade to bring a new product to market, biotech companies rely on a steady influx of capital from investors to fund research and development. As investors weigh competing opportunities, they look to financial statements for clear, accurate information about each company's performance. Mandatory expensing under the FASB's proposed approach will cause unnecessary distortion in meaningful financial reporting. As a result, biotech companies forced to expense the estimated fair value of stock options may be impacted more severely versus other types of ventures with shorter product development cycles.

For all of these reasons, I urge you to delay implementation of these requirements and to consider more objective based alternatives that would enhance disclosure of employee stock options. I understand the need for corporate reform, but penalizing entrepreneur companies that were not the target of these reform efforts, is not the answer.

Sincerely,



J. Donald deBethizy, Ph.D.  
President and CEO