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Letter of Comment No: 5856 File Reference: 1102-100

From:

Jones, Joe [jjones@noven.com]

Sent:

Wednesday, June 30, 2004 5:05 PM

To:

Director - FASB

Subject: File Reference No. 1102-100

June 30, 2004

Dear Sir or Madame:

I am the Vice President of Corporate Affairs for Noven Pharmaceuticals, Inc. ("Noven"), a publicly traded company specializing in the development and manufacture of prescription transdermal drug delivery systems. On behalf of Noven, I am expressing our concern relating to the mandatory expensing of stock options.

Noven has approximately 300 employees, all of which have been granted options to acquire Noven common stock under a broad based, shareholder approved stock option plan. Such option plans are entrepreneurial incentives that spark innovation, enabling the creation and growth of successful companies that in turn provide jobs. They also help align the interest of employees with that of their companies. Indeed, at Noven, we have successfully employed as a tool to attract to the best talent in the pharmaceutical industry to South Florida, and to more closely align interests of our employees with those of the company as a whole. Mandatory expensing will discourage the use of options, thus discouraging the entrepreneurship that companies like ours have fostered over the years.

As Noven's principal contact with the investing community, I do not believe that FASB's plan will improve corporate governance or help investors gain a sound understanding of a company's finances. Rather, it will impede sound analysis. No valuation model for options (e.g. Black-Scholes or others) is considered to be reliable, consistent or comparable. Stock options are very different from market-traded options. It is impossible to establish an accurate value, and expensing based on available methodologies would in fact undermine the credibility of financial statements. If companies are permitted to adopt FASB's different valuation models, inconsistent valuations and investor misinformation will be the likely result. And as it stands, the "cost" of options is already reflected in financial statement in the dilution of earnings per share.

Perhaps most fundamentally, there is no credible evidence that unethical or illegal corporate behavior aimed at inflating stock values is in any way tied to broad based stock options plans. These plans are a central part of the spirit and ambition of our company and others like it. Accordingly, we oppose the current proposals relating to mandatory expensing.

Sincerely,

Joseph C. Jones

Vice President - Corporate Affairs Noven Pharmaceuticals, Inc. 11960 SW 144th Street Miami, Florida 33186

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