

Karen Salmansohn

Letter of Comment No: 49

File Reference: 1102-001

Date Received: 1-28-03

From: Director - FASB
Sent: Tuesday, January 28, 2003 1
To: Karen Salmansohn
Subject: FW: Expensing of Options

-----Original Message-----

From: Michael Forrest [mailto:mforrest@Cellegy.com]
Sent: Tuesday, January 28, 2003 1:07 PM
To: Director - FASB
Cc: Richard Juelis
Subject: Expensing of Options

Dear Sirs:

This to advise you that Cellegy Pharmaceuticals is opposed to the proposed FASB approach to expensing of stock options. We believe that the expensing of such options is anti-entrepreneurial, will potentially raise the cost of capital, and undermines the spirit of innovation for which the US Biotech industry is well known. We also believe that the difficulties in accurately valuing options will lead to meaningless, or at best, highly subjective income statement results. Also, since there is no cash flow impact of the options, a non-cash expense to a startup biotech firm distorts the true burn rate and makes it difficult for all but highly sophisticated investors to appreciate the true cash requirements of such companies.

Yours sincerely,

K. Michael Forrest
Chairman , President and CEO
Cellegy Pharmaceuticals, Inc.