



Mr. Russell G. Golden
Director of Technical Application & Implementation Activities
FASB
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Golden:

RE: Proposed FSP APB 14-a

We appreciate the opportunity to comment on proposed FSP APB 14-a. We believe that the proposed FSP increases the complexity of financial statements and reduces the relevance of financial reporting by requiring issuers of convertible debt to report additional interest expense as if they had issued debt without the conversion feature. Accounting for transactions on a hypothetical basis does not achieve the objective of reporting the economic substance of the transaction. Furthermore, we believe that the proposed timeframe for the effective date of adoption of the FSP, for years beginning after December 15, 2007, or calendar 2008 in our case, is too soon. This rapid implementation timeline does not allow sufficient time for companies to respond to make appropriate changes in their business plans and adequately communicate with investors about the impact of the change and possible consequences on the business. There also has not been sufficient discussion of the accounting issues and assumptions underlying the proposed FSP due to the short time this has been on the FASB's agenda. As a result, we believe that, at a minimum, the implementation of the proposed FSP should be delayed by one year.

Background

Beckman Coulter develops, manufacturers and markets products that simplify, automate and innovate complex biomedical testing. We are a \$4.7 billion company in terms of market capitalization. In December 2006, we issued \$600 million in convertible bonds at 2.5% interest. At the time that we made that financing decision, one of our considerations was the accounting treatment currently followed for convertible bonds with a "net share settled" feature and other financing alternatives. We estimate that we saved \$19 million in interest expense in 2007 using this financing and, as a result, we increased our funding of research and development and other programs by approximately \$19 million in 2007. We

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believe that our investments will ultimately improve our ability to grow and deliver value to our shareholders.

The economic cost to a company issuing net share settled convertible debt ultimately depends upon the performance of its stock, since the company is obligated to pay a lower interest rate, and then will pay a premium if its stock increases above the specified share price. In the event that the share price does not increase, the company's cost is only the specified interest rate. We believe that recording interest expense as if the company issued debt which did not have the conversion feature incorrectly recognizes a cost which may not exist. Under the current accounting literature, if the share price does increase, the impact on equity will be reflected through diluted earnings per share. This dilution provides a measure of the impact of the equity component within the company's financial statements.

Accounting Issues

Paragraph 12 of Opinion 14 states that the conversion feature is not separable from the convertible debt, and concludes that no portion of the proceeds from issuance of the debt should be allocated to equity. We believe that the long-standing conclusion in APB 14 should override the FASB's current conclusion in the proposed FSP that interest expense should be recorded as if there were no conversion feature in the instrument. The same views which are the basis for the FASB's conclusion in the proposed FSP were considered in the debate about Opinion 14, as specified in paragraphs 9-11 and in the dissenting views, and in paragraph 12, the Accounting Principles Board concluded that the inseparability of the debt and conversion option was more important. Although the net share settled feature was not included in the convertible debt considered over 40 years ago, we believe that the conversion feature is still not separable from the debt. As a result, we should not account for the conversion feature separately.

The users of the financial statements are not served by changing the method of accounting for convertible debt. We believe that it is not helpful to the users of the financial statements for a company to record a non-cash interest expense based upon hypothetical interest expense which would have been incurred if the company issued a different (non-convertible) debt instrument. This would create another example of a charge to the income statement which investors have difficulty understanding because it is not based upon a cash cost to the company.

To specifically address the points which the Board requested comment on, we provide the following comments:

1. If the liability and equity components are separated (which we disagree with as described above), we believe that it is preferable to value the option (equity

component) which is inherent in the convertible debt. This method would be more consistent with the valuation of options under FAS 123R and is more consistent with the economics of the transaction. The guidance in FAS 123R was debated for years prior to its issuance, and we believe that it is more appropriate to follow the logic in that guidance to account for the equity component if separation is required, rather than the method described in the proposed FSP. Valuation of the equity component would better represent the economics of the transaction than valuing the liability component by comparing to a different type of debt. However, we do believe that it will be difficult to value the option, and further guidance in that regard would be helpful.

- 2. The inclusion of references to other applicable U.S. GAAP does improve the understandability of the proposed FSP and should be retained in a final FSP.
- 3. The inclusion of the illustrative example in Appendix A does improve the understandability of the guidance in the proposed FSP, and an example should be retained in the final FSP.

At the March 15, 2007 EITF meeting, the Task Force requested that the FASB staff discuss diluted earnings-per-share considerations, among other topics. The proposed FSP does not adequately discuss the impact of the proposed treatment on earnings-per-share. The reference in paragraph 2 to the nullification of EITF Issues No. 90-19, "Convertible Bonds with Issuer Option to Settle for Cash upon Conversion" and No. 03-7, "Accounting for the Settlement of the Equity-Settled Portion of a Convertible Debt Instrument That Permits or Requires the Conversion Spread to Be Settled in Stock (Instrument C of Issue No. 90-19)" is confusing as there is no additional discussion of the impact on earnings-per-share in the proposed FSP.

Request for Delay

The proposed implementation timeframe for this FSP is extremely short, with the comment period ending October 15 and proposed implementation effective January 1, 2008 for calendar year companies. Our plans for 2008 are currently being finalized, with a plan to continue investing in the programs we began in 2007, at a similar level, while delivering adequate returns to our shareholders. These programs anticipated investing most of the annual savings in interest expense in research and development programs, some of which take years to complete. Changing the accounting for the convertible bonds, particularly at this late date, has a significant impact not only on our prior decisions and financial statements, but on our operating plans going forward. As a responsible company, we need to manage our expenses to deliver an appropriate return to our shareholders. We need to have more time to react to changes to make responsible decisions, particularly since long-

term investment plans are impacted by these decisions. Therefore, at a minimum, we request a delay in the proposed implementation timeframe by at least one year. As previously expressed, we also disagree with the conclusions in the proposed FSP, and believe that there should be time for additional discussion of these issues prior to issuance of the final FSP.

We thank you for the opportunity to provide comments related to the proposed FSP. Please contact me at 714/773-6626 with any questions or comments.

Sincerely,

BECKMAN COULTER, INC.

Carolyn D. Beaver

Corporate Vice President, Controller

Cardyn L. Seaver

Chief Accounting Officer

cc: S. Garrett

C. Slacik

P. Glyer

R. Plotkin

G. Schafer

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