



October 26, 2007

Mr. Russell G. Golden
Director of Technical Application & Implementation Activities
Financial Accounting Standards
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference: Proposed FASB Staff Position No. APB 14-a, *Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (Including Partial Cash Settlement)*

Dear Mr. Golden:

The Biotechnology Industry Organization (BIO) 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)*.

BIO is a not-for-profit trade association that represents more than 1,100 biotechnology companies, academic institutions, state biotechnology centers and related organizations across the United States and in 31 other nations. BIO members are involved in the research and development of healthcare, agriculture, industry and environmental biotechnology products.

BIO believes that the FASB Staff Position will create problems for both companies and investors. Below are a list concerns expressed by our member companies.

1. Inconsistencies in Accounting for Instrument C Convertible Debt and Conventional Debt Would be Misleading to Investors

The proposed guidance would lower the debt balances for Instrument C convertible debt issuers and interest expense and equity would be higher compared to conventional convertible debt with similar terms but not subject to settlement in cash. Due to the differences in accounting between Instrument C convertible debt and conventional debt accounting, it would be difficult to compare financial statements between peer companies. Because of inconsistencies in the accounting treatment, investors and analysts may create their own neutralizing adjustments in their financial models which would negate the proposed guidance's intention and negatively impact the public's confidence in GAAP financial reporting.

2. Changes to Convertible Debt Accounting Should Be Addressed Under FASB's Liability and Equity Project

The proposed guidance would result in significant changes to existing accounting principles and potentially create uncertainty in financial reporting. Rather, the proposed guidance would be appropriately addressed under FASB's liability and equity project. The FASB's liability and equity project would eliminate the potential for convertible debt instruments to be subject to multiple changes to applicable accounting rules which would create the potential for restatements of prior periods by issuers. These repeated changes could also result in confusion in the marketplace on the accounting of various instruments and be an impediment for issuers seeking to replace existing instruments or conduct new offerings.

3. Implementation of Proposed Guidance Should Be Effective Beginning After 2008

To the extent the FASB determines that implementation of the new requirement under the proposed guidance should occur outside the liability and equity project, the implementation date should be extended until fiscal years beginning after December 15, 2008.

BIO believes that the FASB will likely not finalize the new requirement until the end of 2007 at the earliest. As a result many Instrument C convertible debt issuers will need more time to implement the new changes including any retroactive application if it is required under the final guidance. In addition, implementation of the new requirement may be difficult for issuers who were only able to access the debt markets through the issuance of a convertible debt instrument and do not necessarily have the ability to accurately determine an interest rate that would have existed for straight debt at the time of issuance.

4. Implementation Should Only Apply on Prospective Basis

Again, if the FASB decides to move forward on finalizing the proposed guidance, the new requirement should not apply to any existing or retired issuances but rather on a prospective basis to any issuance after the effective date. A retroactive implementation would be inconsistent with the FASB's mission of implementing necessary changes that would minimize disruption to financial reporting practices.

Moreover, a retroactive implementation would negatively result in unanticipated expense recognition and rebalance portfolio spending altering investor expectations of a biotechnology company's cost structure. The biotechnology industry acts as an incubator for newly developed therapeutics, a rebalance in portfolio spending will result in a reduction or elimination of many such programs. Therefore, a retroactive implementation would cause economic harm to the biotechnology industry.

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

If the proposed guidance is finalized, it should effectively address financial instruments used along with Instrument C convertible debt. For example, issuers of convertible debt often purchase call options and sell stock warrants to increase the effective strike price of the convertible debt to the issuer. Such common financial instruments that are integral to the debt structure should be addressed in FASB's final guidance.

BIO recognizes the FASB's important role in making accounting procedures as clear as possible for companies and their investors. However, we are concerned that FASB Staff Position No. APB 14-a could have the opposite effect by separating financial reporting from economics. On behalf of the biotechnology industry, BIO appreciates the opportunity to comment on FASB Staff Position No. APB 14-a. If you have any questions, please feel free to contact me.

Sincerely,

/s/

Alan Eisenberg
Executive Vice President
Emerging Companies and Business Development
Biotechnology Industry Organization (BIO)