



October 22, 2007

Technical Director
Financial Accounting Standards Board
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LETTER OF COMMENT NO.

4

FASB Emerging Issues Task Force
Draft Abstract
EITF Issue No. 07-1, *Accounting for Collaborative Arrangements*

Re: File Reference No. EITF0701

Dear Director:

Onyx Pharmaceuticals appreciates the opportunity to comment on the above-referenced proposed Interpretation. We concur with and support the proposed Interpretation, and have one suggestion, noted below, regarding the appropriateness of recording profit sharing payments by the principal under a collaboration arrangement as cost of goods sold.

We believe that by guiding to the use of a principles-based approach in the financial reporting of collaboration agreements, this EITF will provide for greater clarity in the presentation of the economics of collaboration arrangements which are typical in the biotechnology industry. Specific authoritative guidance, such as this proposed EITF, has previously been absent for the biotechnology industry, which has led to a complicated presentation of many companies' financial statements, including the financial statements of Onyx Pharmaceuticals. We believe this EITF will assist parties to collaborative arrangements to achieve more meaningful communication of their operations in their financial statements that is understandable, relevant, reliable and comparable.

We have one suggestion that we believe will further clarify the reporting of results under collaborative arrangements:

1. In the above referenced proposal, the Board has proposed that profit sharing payments from the principal party be recorded as cost of goods sold in the principal party's Income Statement. Cost of goods sold is defined as costs incurred that are directly tied to the production of the product, including direct and indirect costs to produce and manufacture the product. However, in many biotechnology collaborations, the profit sharing payment from the principal is derived after deducting shared research and development costs and shared marketing and selling expenses. Thus, we believe that this payment to the collaboration partner would be more appropriately classified as an operating expense, such as "collaboration profit sharing expense," and not as cost of goods sold. We believe that classification of the profit sharing payment as cost of goods sold may distort a reader's

understanding of this expense as it presents the expense as a cost incurred due to revenue generation. However, this is not the case, as the profit sharing expense under collaborative arrangements typically also includes significant shared operating expenses. Classification to a separate line item, such as "collaboration profit sharing expense," rather than cost of goods sold, would provide clarity as to the true nature of this expense and the operations of the company.

For Onyx Pharmaceuticals, the proposed transition and effective date are appropriate and practical to apply as we currently only have one such arrangement that would fall under this Interpretation.

Onyx Pharmaceuticals agrees that the disclosure requirements under this Interpretation should be annual. Further, companies with these arrangements should have the option to present the disclosure requirements quarterly based on their discretion.

We appreciate the opportunity to express our views and concerns regarding the EITF. If you have any questions regarding our response or would like to discuss our comments further, please feel free to contact me at 510-597-6555. Thank you.

Sincerely,

Onyx Pharmaceuticals



Warren DeSouza
Controller

Onyx Pharmaceuticals