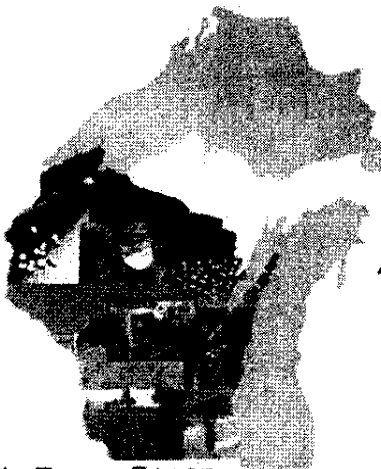

WISCONSIN BIOTECHNOLOGY AND MEDICAL DEVICE ASSOCIATION

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AMERICA'S THIRD COAST℠
SCIENTIFIC COMMUNITY

Letter of Comment No: 5824
File Reference: 1102-100

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Paul F. Umbeck & Associates, LLP

June 30, 2004

To: Director@fasb.org

Re: File Ref. # 1102-100—Exposure Draft, the Share Based Payment and Amendment of FASB statements No. 123 and 95

Dear Sir:

Our organization represents the State of Wisconsin's biotechnology and medical device companies. The continued economic growth of these companies is an important component to the future health of our State's economy. We are very concerned that the captioned proposal will have a negative impact on our State's biotech industry growth.

The bioscience industry sector in Wisconsin has about 248 companies, of which approximately 75 have been formed in the last five years. These companies, in 2003, employed 19,328 Wisconsin residents and had sales of $4.76 billion.

Our state companies and universities have averaged $295 million in annual NIH funding in each of the last five years and the federal research funding of biosciences at the University of Wisconsin is second in the nation, only exceeded by that of John Hopkins University.

Stock options are an exceedingly important financial incentive used by many of our established and new biotech and medical device companies. Although only 3% of the nation's businesses rely on stock options as an economic incentive, about 55% of our biotech and medical device companies currently use or expect to soon use them to incent their employees to help grow these Wisconsin businesses.

We object to some of the provisions of the Exposure Draft as they apply to stock options used by our public and non-public companies. We are especially concerned about the negative impacts of this proposal on non-public and start-up companies.

The disallowance of the current minimum value standards is unacceptable. The new standard (including the modified intrinsic value standard) will contribute little or nothing to enhancing the transparency of non-public company financial statements, while, at the same time, imposing a substantial increase in the cost of complying with the new standards. These proposals, if enacted, will discourage the use of these options by a very large portion of our member companies and have a negative impact on our objective of growing the biotech and medical device industry in Wisconsin.

We urge the FASB to reconsider.

Sincerely,

Ronald W. Kuehn
Executive Vice President

RWK:mb
cc: jcdowling@nvca.org