

Letter of Comment No: 32

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To Whom It May Concern:

I am writing to express my very deep concern and strong opposition to the concept of mandatory expensing of stock options. I am opposed to such a concept from both the standpoint of technical accuracy when reporting to shareholders, and also because of the potentially devastating effect on the fantastic economic benefit this country gains from its legendary entrepreneurial start ups which are inherently high risk. Let me address each of these concerns:

First, the issuing of stock options is clearly Dilution to shareholders – not an expense to the Company. I do not argue that stock options don't have a value, of course they do. I am all for clearer reporting to shareholders of the actual and potential dilution which occurs from the issuance of options. I think reporting should be clear enough and thorough enough to allow shareholders to easily evaluate the short term and potential long term dilutive effect on the value of their shares. The information reported should also allow shareholders to evaluate the appropriateness of the options granted to individuals and in aggregate. Expensing options will not accomplish that. To the contrary, it will give the shareholders a misleading picture of the Company's progress (or lack thereof).

To the second concern: If mandatory expensing of options is required, small emerging Companies will have a devil of a time attracting the really top level talent that is an absolute must if the Company is succeed. New emerging companies are inherently high risk ventures. Top talent is willing to join these companies and share in that risk only if the potential reward (usually from options) is commensurate with the risk. Mandatory expensing of options will severely constrain (I believe it would crush) the ability of new emerging companies to effectively use options as a tool to attract the needed talent. I speak from experience. I am a founder of Rochester Medical Corporation, and I know how absolutely necessary it was (and is) to build a team of individuals who will share the risk and the hard times (and the low pay) in order to build something of value to the shareholders and thus to themselves.

Mandatory expensing of options is a bad idea. It solves nothing. Let's make sure that the rules are changed so that shareholders can clearly and fairly evaluate whether or not stock options are being properly used or abused by management.

Thank you very much for asking for this input.

Sincerely

Anthony J. Conway  
CEO & President Rochester Medical Corporation