

February 3, 2003

Letter of Comment No: 49
File Reference: 1102-001
Date Received: 2-3-()3

Financial Accounting Standards Board

Re: Accounting for Stock-Based Compensation

Board Members:

We are a manufacturer of production equipment for the semiconductor industry. We are a small publicly held company, currently employing less than 100 people. We use stock options as an important tool to attract and retain employees, and currently over 85% of our employees hold options.

We join in the comments expressed by Semi Industry Association and Semiconductor Equipment and Materials International opposing proposals under consideration that would require the expensing of stock options. We believe that the impact of these proposals would limit the practical availability of stock options as a recruitment and retention tool, and thus damage our ability to compete effectively. Second, information is currently being made available to investors with respect to stock options and their impact on an issuing company, and disclosures can be adequately expanded to fully inform investors without expensing options on the income statement. Third, the dilution effect of options with exercise prices below market value is already taken into account in a company's per share earnings, and further impacting earnings by expensing options would distort their impact. Finally, we understand the proposals under consideration would generally value options on date of grant and expense the assigned value over the vesting period of the options. Our industry is hopefully at the end of the worst downturn in its history. Options issued two years ago by companies in our industry are generally at exercise prices considerably above current market prices. Yet the proposals under consideration would require companies like us to continue to take periodic charges to our income for these options that may never realize any value. We believe this would result in a distortion of our reported financial results as a fair reflection of our operations.

Very truly yours,

Douglas L. Hemer Chief Administrative Officer

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