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MP&T Director-File Reference 1102-001

Re: Comments on expensing of stock options

I would like to voice my opinion stating that I am against the proposal for the expensing of stock options. Our company is a small medical products manufacturer (less than \$20M in sales) that just recently turned profitable. Cash has always been tight and we have had to manage our expenses in order to achieve profitability. One of the primary ways that we have been able to attract and retain qualified individuals to work at our company has been to offer stock options as part of their compensation package. This form of compensation has several benefits. First, it reduces the cash required to compensate the individual and effectively lowers our operating expenses. Second, it ties a portion of that individuals compensation to the overall results of the company. If the individual is successful in achieving their objectives as part of the overall corporate strategy, the company should grow which will ultimately result in an increased stock price and increased compensation.

Currently, we do a calculation for diluted earnings per share which takes into account the options outstanding, effectively lowering our EPS for the value of those options. If you decide to expense stock options, this will effectively lower our net income (due to added expense), and if the regulations continue to require companies to calculate diluted EPS in a manner similar to today, companies will in essence be hit twice for the cost of their options in their EPS results. Furthermore, if the impact is too large on results, companies may think twice about issuing stock options to attract qualified individuals which will make the hiring process much more difficult for smaller companies that can't afford to pay the high salaries. I'm not an expert, but I can't imagine that this would be a good thing.

Finally, I would like to address is in the calculation of the value of the option. We currently use the black scholes model to value an option in our pro-forma presentation at year-end. We establish the value of the option on the date of grant and amortize that value over the vesting life of the option. If an option was granted at \$15/share, the value is calculated and carried forward for that option. If the price of the stock drops to \$7, we still carry forward in our pro forma calculation the value at \$15 which is not a true representation of the value of that option. With the volatility of the stock market these days, it has become very difficult to accurately calculate the true value of an option which again can be misleading.

In closing, I would again ask that you choose not to expense stock options.

Thanks for your time.