Base Software Company Inc

12 Rockaway Ave Marblehead, MA 01945-1727

May 25, 2004

Robert H. Herz, Chairman Order Department, Financial Accounting Standards Board 401 Merritt 7, P.O. Box 5116 Norwalk, CT 06856-5116

Letter of Comment No: 4372 File Reference: 1102-100

Director of Major Projects—File Reference No. 1102-100

Dear Chairman:

I am steadfastly opposed to any type of government intervention in the use of stock options as the only thing it will accomplish is to strip the rights of employers to choose how to reward their employees. That really is what stock options do, help companies to reward their employees and create a team environment. A team environment is a proven tactic that motivates employees to work well in order to better the company. It is imperative that employers remain free to reward their employees in whatever way they feel is best.

Aside from the infringement of personal freedoms, this issue should be examined from an accounting standpoint. The FASB's proposal for mandatory expensing of stock options will be more expensive to companies as well as creating bookkeeping nightmares for everyone involved. This practice will force companies to report expenses before the money is even spent, and will not be spent until the employee exercises that stock option.

No matter how you examine this issue, the mandatory expensing of stock options is a serious mistake. Small business owners cherish the flexibility to compensate their employees as they see fit. This is a freedom that has allowed for the continuous success of the small business in the United States. Please understand the dire consequences that could come from mandatory expensing of stock options. Thank you.

Sincerely,

George Connolly