



Letter of Comment No: 3768  
File Reference: 1102-100

June 14, 2004

Via e-mail:  
director@fasb.org

Financial Accounting Standard Board  
401 Merritt 7  
P. O. Box 5116  
Norwalk, Connecticut 06856-5116

Re: File Reference No. 1101-100

To Whom It May Concern:

I am responding to the board's proposed expensing of stock options. Let me state unequivocally that this proposal is bad for the emerging and small businesses. It is also bad for the economic and job growth in America. This is simply an attempt to stifle and handicap the small company's ability to hire great talents, reduce competition, and substantially reduce the value of financial statements.

Pedestal software was founded by two individual who had a vision and the entrepreneur spirit to create a product that is today used by most fortune 2000 companies. In the process, we have grown our headcount from 2 people in 2001 to over 50 in 2004. All of this happened during hard economic times. It was critical for us to raise money for working capital and hire great talents. One of the key remuneration that allowed us to attract the talents we have acquired is the use of the stock options to offset salaries, motivate our employees and remain competitive with big companies with deeper pockets. It is also critical for our employees to know that they have some ownership in the company.

If the proposed amendment to FAS 123 were enacted, it would:

1. Put us at a disadvantage when sourcing for talents. It takes away the competitive edge that a newly established company with great technology and a promise for employees to ultimately share in the future prospect of the company. We may also have to re-evaluate issuing options due to the additional expense it will create to support the infrastructure cost of option expensing.
2. It will substantially reduce the value of the financial statement. It will dilute the earnings picture and create a variable and unstable financial statement which has nothing to do with the operations of the company. As a private company, the use of fair value methodology for calculating compensation cost of stock option creates less transparency and clarity to a company's financial statement. The fair value methodology is highly subjective and suspect at best due to the volatility and employee behavior. The proposed reporting will also cast a tremendous shadow on the financial statement for investors who are interested in after-tax cash flow for company valuation.

In summary, with artificially burdened financial statements and the management inefficiency that will result from the regulation which adds no value to the growth of the company and the increased cost to manage the proposed regulation, company's like ours will have a difficult time attracting good investors and or traditional capital market due to the artificially lowered earnings which will be expressed on our financial statements. Our ability to create jobs and contribute to the economic recovery will be stalled. This is bad for the economy and will destroy the inspiration for creativity and innovation that has made America the envy of the world.

I oppose the expensing of the stock option grants, but favor the initiatives to clarify and better regulate the financial reporting.

Sincerely,

Samuel Shoneye  
Director of Finance and Administration  
Pedestal Software, Inc.