

**From:** James Hart [JamesH@enigma.com]  
**Sent:** Monday, June 07, 2004 6:13 PM  
**To:** Director - FASB; 'jcdowling@nvca.org'  
**Cc:** Jonathan Yaron  
**Subject:** File Reference No. 1102-100

To Whom it May Concern:

I am writing you to express my concern over the recent FASB Exposure Draft (File Reference No. 1102-100) regarding employee stock options. Stock options have become an integral incentive to attract world class talent to Enigma and other promising technology companies, and I am worried that requiring companies to expense such options will cause the elimination of option programs in the future. The larger impact will be that many promising companies will be forced to settle for second rate managers and prevent them from realizing their full potential, including providing new jobs and innovative new products to our economy.

From a technical standpoint I also believe that the proposed option expensing is flawed and should not be imposed for the following reasons:

- \* Unlike most operating expenses, options don't affect operations or cash flow.
- \* Options are already accounted for in EPS - if the company is successful, then shareholders are diluted.
- \* If options are expensed, the affect is double-counted by hitting both the numerator and the denominator of the EPS calculation.
- \* If treated as an expense, there is no valid valuation method. BlackScholes requires for guessing variables that are unknown and vastly overstates the expense.

I cannot emphasize too strongly how important this stock option issue is to the future of our economy. Stock options encourage risk taking and allow small companies to compete effectively against mature companies with much greater resources. New companies have always been the engine of innovation for America and the world - please do not curtail this process by promoting stock option expensing.

Best regards,

James D. Hart, CFO  
Enigma Inc.  
200 Wheeler Rd.  
Burlington, MA 01803  
tel 781-265-3622  
fax 781-273-4400  
jamesh@enigma.com