

ikon

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**From:** Director - FASB  
**Sent:** Thursday, June 17, 2004 1:47 PM  
**To:** ikon; Karen Salmansohn  
**Subject:** FW: This is the email that you asked me to re write

**Letter of Comment No: 4178**  
**File Reference: 1102-100**

-----Original Message-----

From: Jonathan Yaron [mailto:JonathanY@enigma.com]  
Sent: Thursday, June 17, 2004 1:18 PM  
To: Director - FASB; jcdowling@nvca.org  
Subject: This is the email that you asked me to re write for you: File Reference No. 1102-100

> To Whom It May Concern,  
>  
> I am writing to express my sincere concern regarding employee stock  
> options and the recent FASB Exposure Draft (File Reference No.  
> 1102-100).  
>  
>  
> Requiring companies to expense options will cause the elimination of  
> options programs in the future. This course of action will not only  
> negatively affect Enigma, but all promising technology companies as we  
> will not have the means to attract top level management. Small  
> companies cannot compete against more mature companies as we simply do  
> not have the resources available, and will be forced instead to work with second rate  
> managers. The result is that the full potential of a small promising  
> company will not be realized - ultimately affecting the introduction  
> of new jobs and innovative products into our economy.  
>  
> From a technical perspective, this proposition is flawed as follows:  
>  
> \* Unlike most operating expenses, options don't affect operations or  
> cash flow.  
> \* Options are already accounted for in EPS - if the company is  
> successful, the shareholders are diluted.  
> \* Expensing options causes double-counting by hitting both the  
> numerator and the denominator of the EPS calculation.  
> \* When treated as an expense, there is no valid valuation method.  
> BlackScholes requires for guessing variables that are unknown and  
> vastly overstates the expense.  
>  
> Again, I caution this course of action, and ask that this draft is  
> reconsidered.  
>  
> Sincerely,  
>  
> Jonathan Yaron  
> Chairman & CEO  
> Enigma, Inc.  
> 200 Wheeler Road  
> Burlington, MA 01803  
> t: 781.265.3601  
> jonathany@enigma.com  
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