

Karen Salmansohn

From: Len Tatore
Sent: Friday, January 17, 2003 3:02 PM
To: Karen Salmansohn
Subject: FW: Expensing of Stock Options

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

From: Steve Sheldon [mailto:ssheldon@focusinfo.com]
Sent: Friday, January 17, 2003 1:17 PM
To: 'director@fasb.org'
Subject: Expensing of Stock Options

Ladies and Gentlemen,

I am writing to express my concerns over the proposed mandatory expensing of stock options. Stock options have been the cornerstone of attracting and retaining the brightest and best talent for US corporations for decades. Mandatory expensing will remove this corporate incentive as well as further the economic decline we have been experiencing since 2000.

Interestingly, stock options are incentive and in their most basic description, a right to purchase stock in the future, based on time and price. This right to exercise is not a guarantee of value. This has never been more evident than in current economic and market conditions. Quarterly and annual SEC filings are historical by nature. They are statements or financial pictures at certain points in time. Yes, they do contain outlooks, future guidance and the requisite cautionary language which is not historical. I think it is imprudent and certainly not accurate to require the reporting of a future event in a historical document under the veil accurate disclosure. I think the current guidelines for portraying, separately, the expensing of stock options should be maintained. It is accurate and portrays to an investor the effect stock options would have if they were to be exercised. The proposed mandatory expensing of stock options paints an inaccurate picture because it requires a future event as the premise for the accuracy. This future event is not guaranteed to happen; therefore, how accurate is the information.

A real life example would be the IRS taxing you for a bonus you never received. The IRS said it was in your employment agreement as part of your compensation package. In order for the treasury department to accurately reflect tax receipts, your tax return must account for it. Unfortunately, for various reasons, you never attained it. Is that accurate? On a personal level, is that fair?

I thank you for allowing the opportunity to express my concerns on this matter.

Respectfully,

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