

GENTEX CORPORATION

To: director@fasb.org

Letter of Comment No: 5613
File Reference: 1102-100

From: Eric Kern, Process Engineer

Date: 6/30/2004

Re: Expensing of Stock Options (File Ref. 1102-100)

This letter is written to express my position against the expensing of stock options. I am an Engineer at a small, technology company. I, and all of my salaried co-workers receive stock options as part of our benefit package. The dialogue around the mandatory expensing of stock options has prompted me to write this letter. I feel that this issue would negatively impact the middle class in America for the following reasons:

- Entrepreneurship and innovation is the best chance the U.S. has to keep jobs from moving overseas. Implementing expensing of options will force companies to eliminate option incentives which will reduce the sense of ownership of employees in the company. Millions of jobs will be moved out of the country because of this lack of entrepreneurship.
- The first options that will be eliminated will be in lower and middle management. This will do the greatest damage to middle class America, causing greater income inequality.
- Small companies create the most jobs. Expensing options will hit small companies the hardest.
- Stock options are not the same as market traded options. We do not receive the full value of the stock. There is no proven, valid model of predicting the cost of stock options.
- There is no proof that broad-based stock options are responsible for market scandals. It was not middle and lower management that created the past scandals, to do punish us. Furthermore, eliminating broad-based option plans will not eliminate further scandals.
- The FASB plan will produce inaccurate financial reporting, confusing investors as they trade on misleading information. Let us not punish many for the sins of a few.

I am strongly against any accounting policy that requires expensing of stock options by broad-based stock option programs.

Sincerely,

Eric Kern
Process Engineer
Gentex Corp.