

## Stacey Sutay

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**From:** Bruce Brumberg [Bruce@mystockoptions.com]  
**Sent:** Monday, February 09, 2004 10:06 AM  
**To:** Stacey Sutay; FASB Comments  
**Subject:** Comment Letter/Suggestion on ESPP Accounting

Can I submit a suggestion or comment letter related to employee stock purchase plans (ESPPs) for the stock compensation accounting proposal ?

FASB recently decided that any discount for an ESPP plan from the stock price on the purchase date should incur an accounting charge at grant.

You may not be aware that most ESPPs are funded with payroll deductions that occur during at least six month period, perhaps longer. Employees have money taken out of paycheck and no interest is assessed to their payroll account during the accumulation period.

I suggest a logical change to your last position, that if you are going to require expensing for ESPPs, that FASB consider exempting from the definition of "stock options" the ESPPs funded with employee payroll deduction when the purchase price is no more than 5% discount from the market price at purchase. This is the prior position under consideration and there is logic for it you might not have considered.

This is really not a "stock option," as more like a purchase of stock with the funds accumulated over time. If you still believe that 5% is too high, at least consider some discount that equals investment with similar risk profile (e.g., discount not to exceed 10 year t-bill rate at time of purchase offer).

ESPPs are not really "options" in the traditional sense or even perceived that way by employees, they are more like purchase offers. These broad-based plans have wrongly gotten caught up in the debate over option expensing and valuation.

Thank you adding this to your comments and passing this on to the appropriate people evaluating the final draft. I am available to discuss this and any other matters related to this project.

Bruce Brumberg  
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