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Letter of Comment No: 3217  
File Reference: 1102-100

**From:** LHanson@otpc.com  
**Sent:** Tuesday, June 08, 2004 10:33 AM  
**To:** Director - FASB  
**Subject:** Attn: Suzanne Bielstein -Share-Based Payment Exposure Draft



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Dear Ms. Beilstein:

Attached is a word document containing a letter from Otter Tail Corporation addressing the proposed changes to expensing of the discount for Employee Stock Purchase Plans (ESPP). Otter Tail Corporation is a diversified utility located in the upper mid-west with over 3,000 employees. Over 30% of those employees now participate in our plan and has grown to be a tremendous benefit for our employees and our company..

We understand that the Financial Accounting Standards Board(FASB) has proposed a change to the accounting standards that would require companies to count this discount as an expense against its earnings(Share-Based Payment exposure draft). We respectfully request that you reconsider this proposal and not require expensing of the discount allowed in ESPP's.

If you have any questions or would like to discuss this further, please don't hesitate to contact me.

Loren Hanson  
Assistant Secretary/Assistant Treasurer  
Otter Tail Corporation  
215 South Cascade Street  
Fergus Falls MN 56537  
Phone: 218-739-8481 or Toll Free 800-664-1259  
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<<Our company allows employees to purchase our company.doc>>



June 8, 2004

Suzanne Beilstein  
Financial Accounting Standards Board  
File Reference No/ 1102-100  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut

Dear Ms. Beilstein:

Otter Tail Corporation currently allows employees to purchase our company's stock at a discount through an Employee Stock Purchase Plan (ESPP). We understand that the Financial Accounting Standards Board (FASB) has proposed a change to accounting standards that would require companies to count this discount as an expense against its earnings (Share-Based Payment exposure draft). We respectfully request that you reconsider this proposal and not require expensing of the discount allowed in ESPP's.

We are concerned that required expensing of the discount in the ESPP would make this valuable benefit plan less attractive since it would potentially cause us to either discontinue the plan, or reduce or eliminate the current discount. Unlike some benefits that are aimed only at highly compensated employees, this is a valuable benefit for all employees across our corporation.

Previous to our current plan, we offered an employee stock purchase plan that did not have a discount. Our participation rate in that plan averaged about 7% of our eligible employees and the average contribution rate was approximately \$75 per month. With the advent of the discounted plan, however, that rate of participation has now grown to over 30% of our eligible employees, with an average contribution rate of over \$130 per month. As a result of the plan, employees now represent about 10% of our shareholders, which enhances company loyalty and support of management initiatives.

An added provision of our plan, requires employees to keep their shares for at least two years from the beginning of a particular purchase period. That provision encourages employees to focus on long-term results, which adds stability to our market price. Also, as part owners of the company, it has heightened their awareness of how their work directly impacts the performance of our stock and encourages efficiency and productivity.

Therefore, we strongly urge FASB to consider the negative impact the proposed rule would have, not only to employees of Otter Tail Corporation, but the nearly 16 million employees nation-wide that are taking advantage of this tremendous benefit and eliminate the expensing requirement for ESPP discounts in the final rule.

Sincerely,

*Loren Hanson*

Loren Hanson  
Assistant Secretary