BEYOND THE BASICS:
NAVIGATING THE HIDDEN COMPLEXITIES OF ESPPS

INFINITE EQUITY

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ESPPs
WHAT & WHY?

An Employee Stock Purchase Plan ("ESPP") provides a broad-based mechanism for employees to become owners. As organizations strive to attract and retain top-tier talent, employees increasingly seek employers that recognize and reward their contributions.

STRATEGIC PLAN DESIGN

Safe Harbor Plan	Standard Qualified Plan	"Cadillac" Qualified Plan	Matching Non-Qualified plan
• Qualified plan with 5% discount • No look-back feature	• 15% discount with look-back most common • 3 or 6-month purchase periods	• 15% discount and look-back • 24-month offering with four 6-month purchase periods • Typically have automatic reset or rollover if stock price declines	• Greater flexibility and creativity in design than qualified ESPPs • Match up to 25% of employee contributions under ISS limits

Design Features That Impact Administration

- Eligible Compensation
- Minimum Contribution
- Maximum Contribution
- Intra-Period Contribution Changes
- Purchase Limitation
- Fractional Shares
- Sales Restriction
- Transfer Restriction

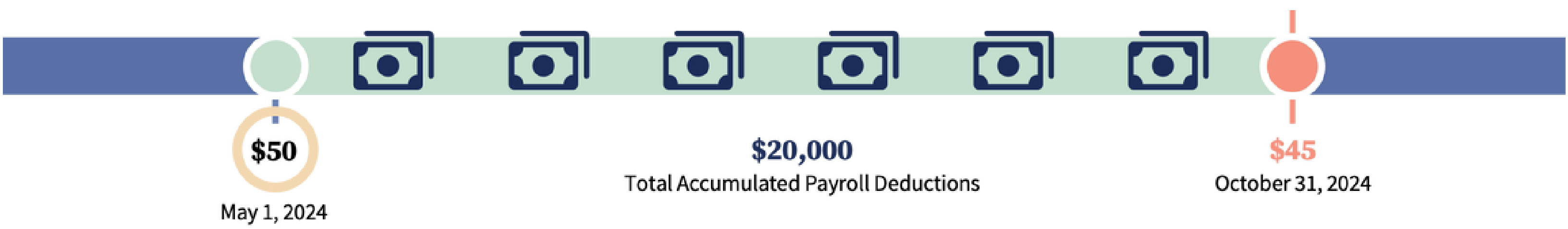
PAYROLL & ADMINISTRATIVE EFFICIENCIES

WHAT IS THE 25K LIMIT?

IRS Section 423 imposes a $25,000 limit on the maximum value of shares that an employee can purchase under a qualified ESPP in a single calendar year.

Value is calculated at the grant date's market price, not purchase price.

Example: If the fair market value at grant is $100/share, the employee can purchase up to 250 shares ($25,000/$100).



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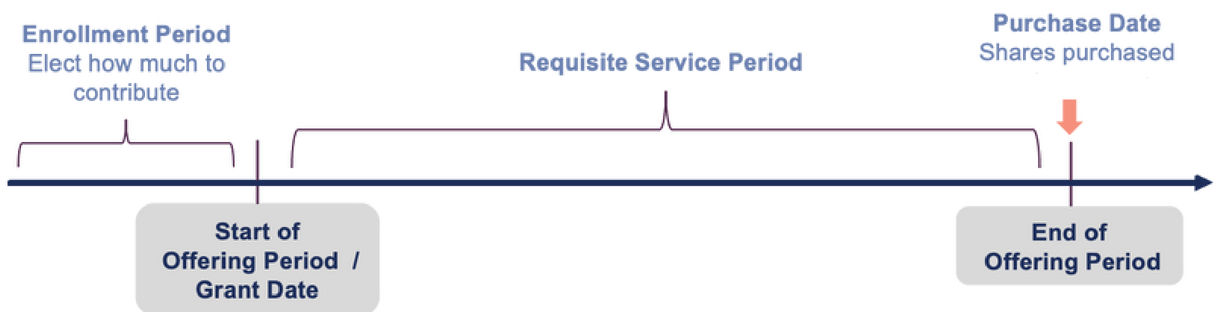
ACCOUNTING CONSIDERATIONS

The accounting for ESPPs depends on the features of the plan, or the benefits a company offers. This applies regardless of whether the plan is qualified or non-qualified.

Step 1	Step 2	Step 3	Step 4
Compensatory or Non-Compensatory	**Equity or Liability Classified**	**Expense Recognition**	**Reconcile Expense at End of Purchase Period**

TIMING OF EXPENSE RECOGNITION



GLOBAL EXPANSION STRATEGIES

US: QUALIFIED PLAN
GLOBAL: NONQUALIFIED PLAN

- *Preferential tax treatment in U.S.*
- *Main features of program are the same globally*
- *Global jurisdictions may see lower participation rates due to tax treatment*

WHERE AVAILABLE: QUALIFIED PLAN
ELSEWHERE: NONQUALIFIED PLAN

- *Preferential tax treatment everywhere available, not just US*
- *Approach commonly used by larger multinational companies.*
- *Administratively the most challenging approach*

NON-QUALIFIED PLAN EVERYWHERE

- *Globally unified benefit*
- *Simplest approach administratively because of similarity of plans and tax treatment*
- *Less favorable tax treatment for U.S. employees, but administratively simpler.*