

## Survey Examines Stock Plan Design and Administration

by R. Eugene Marion, Editor Deloitte & Touche LLP

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The National Association of Stock Plan Professionals (NASPP) released the results of a survey regarding stock plan design and administration, NASPP Stock Plan Design Survey Report--1996. The last survey was conducted in 1994. Some interesting highlights:

It is generally believed that fewer companies are granting Incentive Stock Options (ISOs); however, 54% granted ISOs in 1996, up from 47% in 1994. ISOs are more prevalent in California high-tech companies.

Nonqualified Stock Options (NQSOs) remain the most common form of incentive stock compensation. Ninety-two percent of the responding companies currently grant NQSOs (same as in 1994.) It is generally believed that fewer companies are granting Incentive Stock Options (ISOs); however, 54% granted ISOs in 1996, up from 47% in 1994. ISOs are more prevalent in California high-tech companies.

Eighty-three percent of the responding companies require optionees to sign and return grant agreements--some modified their response to "request, not require."

Most of the remaining 17% that do not require grant agreements to be signed and returned are high-tech companies and others with widespread grants.

*"Just under one-third (30%) have stock ownership guidelines, and 18% are considering implementing guidelines."*

Twenty percent have noncompete forfeiture provisions, and more companies are expected to employ this retention devise. Nineteen companies added noncompete forfeiture provisions in 1996 and 27 were considering this restriction. Fewer companies appear to be repricing options. Fifty-seven respondents (15%) had repriced options prior to 1996; however, one-quarter of these excluded top officers. During the first half of 1996 (an overall up period for the stock market), only 11 companies had repriced options (repricing was being considered by another 9 companies).

Seventy-six percent of the respondents with stock option plans have a broker-assisted cashless exercise/same-day-sale program, and 47% provide for stock-for-stock exercises. Just under one-third (30%) have stock ownership guidelines, and 18% are considering implementing guidelines. Thirteen percent permit executives to select and receive stock in lieu of cash compensation, and another 15% are considering such a provision.

A large percentage (87%) provide some form of stock or option payment to their directors, and 27% permit directors to receive stock or options in lieu of cash.

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Ninety-five percent of the respondents (up from 89% in 1994) have an insider trading compliance program, and 83% require insiders to clear all transactions in advance.

Fifteen percent had failed to file copies of employee stock plans as exhibits to their Form 10-K annual report (as required by SEC rules).

Data for the NASPP survey came from 380 public companies and 8 private companies. Of the public companies, 55% are on the New York Stock Exchange, and 40% are NASDAQ listed companies.

For more information visit NASPP web site at [www.naspp.com](http://www.naspp.com).

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