



Connection

THE MID-ATLANTIC CHAPTER ESOP ASSOCIATION NEWSLETTER

November, 2010

Message from the President

It's been a few months since we last spoke and some catching up is in order. The summer is behind us (unfortunately!) and our vacations are over.

In July, Tom Roback (VP Capital Region) and Paul Horn (VP Membership) coordinated an ESOP brunch in Baltimore. This was our first activity in Baltimore in quite awhile, and it was good to see how well it was received, as prior forays in that region hadn't been nearly as well attended. This is encouraging and we're looking toward further events in that area.

And of course in October the MAC conducted its 17th Annual Conference at the Omni in Charlottesville. The enthusiasm was as charged as ever even though attendance was down a bit. If you opted out you missed a good gathering. I'm also proud to say we raised almost \$600 for the Employee Ownership Foundation, which I think is a record for the MAC. More details on that event are in this newsletter.

The big news in the ESOP world, in case you missed it, is that our president spoke publicly about employee ownership. No, not me, I mean the REAL president, Barack Obama. The MAC's own Tom Roback was privileged to attend a town hall meeting in Richmond during late September. He got the first question and inquired about the President's support of ESOPs. Not only was our president receptive he also seemed quite knowledgeable about employee ownership. If you haven't seen the video, go to TEA's blog page (<http://www.esopassociation.org/blog>) and scroll down to find the event. A link is provided to the video snippet hosted by WTVR Television in Richmond.

As you read this the mid-term elections are probably done, but as I write it things are still up in the air. Regardless of the outcome many pundits are predicting we may have political gridlock over the next couple of years in the 112th Congress. Democrats are almost certain to lose their filibuster proof majority in the Senate, which wasn't much help anyway, as trying to get 60 Senators all marching in the same direction, even if members of the same party, was akin to herding cats (another funny thought is trying to herd frogs, but I digress). And they may also lose their majority in the House. Either way the split between the two parties will be even closer, where even a few defectors can sabotage a vote. The lame duck session following the elections, if one is held, should be extremely interesting (if you'd like more details on a lame duck session please write me). I predict that passing any significant legislation in 2011 – 2012, especially something as huge as tax reform, which we've previously discussed, may be a non-starter. However, stranger things have happened, and if anti-ESOP legislation boils to the surface we will inform you immediately.

I'll wrap up as before by noting future ESOP events. I know Deb does this elsewhere but I want to ensure you add these to your calendar. The 2nd Annual Tri-Chapter Conference will be March 27th - 29th, 2011 in Pinehurst, NC. Attendees at the 2010 event gave it an overwhelming thumbs up, and you should seriously consider this gathering of your ESOP peers from the Carolinas, New South, and Mid-Atlantic chapters. The MAC's annual Spring Half-Day Conference will be Thursday, April 7th, 2011, and for the first time will be followed by a separately ticketed Human Resources Roundtable discussion following lunch. That will be followed by the MAC's 3rd Annual CEO/CFO Summit on Tuesday, April 26th. And finally, be sure to put TEA's 34th Annual Conference on your calendars, set for May 12th & 13th, 2011 in Washington, DC.

See you all soon at upcoming ESOP events and don't hesitate to contact me at krobertson@comsonics.com. Thanks.

Give your Employees a Huge Pat On the Back.... Now Is the Time to Document for AACE

We all know that TEA sponsors a competition known as AACE for companies who communicate their ESOPs to their respective employee owners. Yet many companies never really focus on the AACE competition until it is time to send in their entries. The fact is that NOW is when you should be documenting your communications program and planning your AACE entry for the 2011 judging. The deadline will be around the first of March 2011 but the work should begin **now**.

Start documenting everything you do to communicate the ESOP. Get a little crazy with your camera—photos always help to “dress up” and clarify an entry. Visit the AACE section of the TEA web site and begin deciding how you want to showcase your program. Read the brochure from the 2010 AACE, always being mindful that there may be minor changes in the program and/or the deadlines. The 2011 brochure will be posted early in January of 2011.

Although you won't actually be sending anything in to the competition until March of 2011, your AACE benefits can begin NOW as you document and evaluate the components of your future entry. Don't delay. Begin the road now that can take you to the winners' spotlight. MAC has always been prominent in the winner's circle, thanks to our great member companies. Let's keep the winning tradition going!

All the information about the AACE competition is shown on the TEA web site, including past winners with photos and contact information. If you have specific questions not answered there, please feel free to call Pat Barnes, AACE Program Manager, at (304) 274-2517.

Mid-Atlantic Chapter Award Winners

Who is that special someone in your organization who is a tireless ESOP Champion. You know, the one who lives, breathes and totally exemplifies the meaning of “Employee Owner”? Here is the perfect opportunity to acknowledge that person on a company, chapter and national level.

We have been through some tough times lately. How has your company pulled together and each of your employees worked to make it through? What better way to thank each and every member of your organization than to nominate them for the “Employee-Owned Company of the Year”?

Chapter Award Winners are honored at the local level at the Mid-Atlantic Half Day Conference, April 7, 2011 at the Omni Hotel in Charlottesville. From there, the nominees are submitted to The ESOP Association for the National consideration, and will be recognized at their annual awards dinner at the National Conference in Washington, DC on May 11, 2011.

Watch your mail for more information and the forms you will need for your submissions. In the meantime, if you would like more information, please don't hesitate to contact Deb Tompkins, Chapter Administrative Executive, midatlanticesop@comcast.net.

“ESOP: The Next Chapter” is a Best Seller!

Paul Horn

The Mid-Atlantic Chapter (MAC) of the ESOP Association held its 17th annual conference on October 15 in Charlottesville, VA at the Omni Hotel. The theme was literary and MAC President Keith Robertson greeted the over 110 registrants with quotes from Mark Twain and others. Paul Horn then led the group in a creative writing exercise where each table wrote a story about their favorite ESOP event (real or slightly imagined!). Michael Keeling followed with a discussion on the mood in America and its potential impact on the upcoming election and ESOPs.

In our first chapter of breakout sessions, Keith and Prof. Steven King waxed insightful on ESOP basics, Scott Levine and Peter Briggs told stories of valuation adventure, and Ron Gilbert and Michael Holzman covered the best and worst of fiduciary matters.

Chapter two included basic administration with Delores Lawrence and Gary Knupp, a wealth of ethics issues with Rick Mapp and Tom Roback, and the formation of effective ESOP advisory committees with Susan Banks and Dick Duffy.



At lunch, Dennis Zimmerman, ComSonics, Inc. CEO, told us about his journey from a Marine in Vietnam, to a garage dealing with magnets, and then to CEO of the TEA ESOP company of the year. Paul Horn then discussed recent work performed by the Employee Ownership Foundation.



After lunch, Dave Bogus and Michael Coffey addressed the “Great Expectations” of ESOP transactions while Connie Burnette and Paul Horn provided self-help on ways to jumpstart your ESOP culture. Our last chapter had Joe Marchio and Keith Robertson sharing their company stories, and Victor Brannon, Steve Earle, and Howard Jordan discussing best practices in ESOP governance.



The EOF raffle was a big success with over \$600 raised.

See everyone next year!

MAC Member Featured in Financier Worldwide

The October 2010 issue of Financier Worldwide featured TEA President Michael Keeling moderating a discussion on ESOPs. One of the commentators was MAC member Jan Singletary Thomas of the law firm Hirschler Fleischer, located in Richmond, VA. Good job waving the ESOP flag Jan, thanks. To read the discussion go to <http://www.financierworldwide.com/article.php?id=7373>.



Paul
Opines

Are ESOPs the antidote to the ills of capitalism? Capitalism certainly appears to be in a crisis and recessionary mode but these ills are neither unprecedented nor without remedy – with the right set of cures.

Effective ESOP companies may hold the cure for the capitalistic blues because ESOPs help combine the interests of workers with shareholders. Extending the benefits of capitalism and ownership to more workers through ESOPs is one way companies can sail more confidently and profitably through these rough and treacherous economic seas.

America was established and propelled by largely self-sufficient individuals striking their own paths; think Horatio Alger and similar stories of hard work and “boot strap” success. However, most of us now work in the employ of others, many “others” being large corporations. Workers have become cogs in the proverbial machine (be it actual or bureaucratic) with many detached from the satisfaction of crafting or delivering a final work product to a real customer. The employment compact has become strained and replaced by increasing corporate fealty to tighter bottom lines in a world economy gone “flat” with price as the lowest common denominator.

To enhance collective prosperity, we must restore a sense of ownership and entrepreneurship to workers. The ESOP vehicle is one effective way to instill this pride and motivation by giving employees a real equity stake and influence in their places of work.

The ESOP works best when combined with open book management practices and delegated authority and responsibility. Employees need to understand they must work together for the success of the team and in return they must be given the tools and training to be successful.

Of course, there are no guaranteed outcomes and even well prepared and motivated employees can fail – but more often than not they will prevail. As long as you have a product to sell, there always are ways to do it better, faster, and cheaper for your customers. Having an engaged workforce of employee owners will make it more likely you will come up with these better ideas faster than the competition.

Ellin & Tucker, Chartered Hosts Luncheon Meeting in Baltimore

On July 29, David Bogus of Ellin & Tucker, hosted our MAC luncheon meeting at their Baltimore office. The twenty plus attendees enjoyed an excellent view of the harbor and a great lunch. In addition, we heard two interesting presentations.

Paul Horn, WorkPlace Consultants, LLC, discussed recent events in the ESOP world such as stock drop and other ESOP litigation, pending legislation, and the new Maryland law on socially conscious “B” corporations.

Nancy Belmont, President of Belmont, Inc. in Alexandria, VA, is a recent member of TEA. She discussed connecting employee-owners with your company brand to achieve an engaged workforce. Nancy gave examples, including her work with an area ESOP company, of how properly integrating your company culture with its external brand will improve recruitment, retention, and performance.

Why the Department of Labor’s Proposed Regulation Will Harm Private Company ESOPs

J. Michael Keeling, President of The ESOP Association

Background: The proposal reverses 34 years of DOL policy that valuations of ESOP stock are not ESOP fiduciaries.

(Note: this 34 year policy was developed under President Ford, a Republican; continued by DOL under Presidents Carter (Democrat), Reagan (Republican), Bush I (Republican), Clinton (Democrat), and Bush II (Republican). Why now the proposed attack on ESOPs?)

1. The proposal if finalized will significantly increase the costs of establishing and maintaining an ESOP, because valuations will have to purchase fiduciary insurance.

2. The proposal, if finalized, will hinder an ESOP company’s desire to acquire another company, or to expand, or to be acquired, as any person rendering a fairness opinion for an ESOP trustee will be a fiduciary, increasing the cost of the transaction.

3. Many valuation firms may drop their ESOP practice due to exposure to lawsuits, as many trial lawyers who now troll for lawsuits against ESOP public companies, will now have better monetary opportunities with lawsuits against private ESOP companies. (One impact of the proposal, if finalized, is one disgruntled employee can bring a lawsuit against the plan fiduciaries over the valuation.) Less competition among valuation firms doing private ESOP company valuations also mean higher costs, and more hassles finding competent valuation firms.

4. If DOL has evidence, as it claims without data in preamble to proposed regulation, that many private company ESOP shares are wrongly valued, DOL currently has enforcement powers against current ESOP fiduciaries and trustee[s].

The DOL proposal is not needed and its real purpose seems to be to hinder creation and operation of private company ESOPs in contradiction of P.L. 94-455, 90 Stat. 1520.

Below are links to a brief “talking points” paper on the potential negative impact of the DOL proposal, and a suggested letter to a member of Congress.

Coincidentally, the view towards private company ESOPs by the current leadership of the DOL’s Employee Benefits Security Administration is not positive, and the ESOP community should not ignore this attempt to squeeze ESOPs so hard they diminish in number.

<http://images.magnetmail.net/images/clients/ESOPA/attach/DOLProposedRuleEMAIL.pdf>

<http://images.magnetmail.net/images/clients/ESOPA/attach/TalkingPointsDOLProposedRegEMAIL.pdf>

<http://images.magnetmail.net/images/clients/ESOPA/attach/LtrMembersofCongressDOLProposalEMAIL.pdf>

Mark Your Calendars

March 27-29, 2011

Tri-Chapter Regional Conference
and Golf Outing

Pinehurst, NC

Information packed conference this year will feature CEO/CFO Roundtable.

April 7, 2011

MAC ½ & ½ Day Conference

Omni Hotel, Charlottesville

Morning sessions will contain a variety of topics.

New this year:

The afternoon will feature a workshop designed to address the issues faced by Human Resources in ESOP Companies.

April 26, 2011

MAC CEO/CFO Summit

Wyndham Virginia Crossings

Glen Allen, VA

Join more than 20 your peers for this highly interactive, participant driven session designed to address the issues faced by CEOs and CFOs of ESOP Companies

May 11-13, 2011

May 11-The ESOP Association
Annual Awards Banquet

May 12 & 13

The ESOP Association Annual
Conference

Renaissance, Washington Hotel
Washington, DC

Visit TEA Website for more info:

www.esopassociation.org.

October, 2011-Date TBD

Mid Atlantic Annual Conference

***For more information, contact Deb Tompkins
midatlanticesop@comcast.net***



Dr. ESOP™

Dear Dr. ESOP:

We just formed an ESOP advisory committee and I was appointed Chair. I am not sure what I am supposed to do at the table. Do you have any suggestions?

Baffled in Beltsville

Dear Baffled:

Many suggestions have we for you. First, congratulations on being Chair! The next thing you should do is appoint a Vice Chair and some other positions like Secretary and Treasurer. That's called effective delegation!

Actually, the next thing you need to do is make sure you have a committee charter. Normally that will be drafted by the company before the committee is formed and will spell out the committee positions, length of terms, and mission. If it has not been drafted or it needs refinement after you review, take action.

The next step is to determine your annual committee budget; then you can begin planning activities. Try for a mix of both ESOP informational and fun activities. ESOP informational activities could include events like open book management talks, ESOP ABC's, and guess the share price. Fun events can include a barbecue or breakfast served by managers in connection with October as Employee Ownership Month, football jersey day, and community charitable efforts.

Then there's always room to work on your ESOP communication materials and submit them for the AACE competition. In your spare time, attendance of committee members at ESOP conferences is a great way to learn and share ideas with other companies. And by the way, make sure to get a charge number for your committee time included in that budget.

Sincerely,

Dr ESOP (aka Paul)

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Welcome New MAC Members 2010

CORPORATE MEMBERS

John Lucca, *Veris Consulting, Inc.*, Reston, VA

Mike Kelso, *ELS. Inc.*, Arlington, VA

PROFESSIONAL MEMBERS

Colvin Matheson, *Matheson Financial Advisors*, McLean, VA

** Please let us know if we missed you.*

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