



Chapter E-Newsletter
Issue 4 – March, 2009

Our mission is to help motivate, educate, and train existing and prospective employee-owned companies regarding the benefits of employee ownership.

A GREAT SUCCESS!!!

1st Annual Carolinas Chapter Meeting August 2008 in Pinehurst, NC

By Betty Reynolds and Leann Sexton, Carris Reels – Statesville, NC

Betty Reynolds and Leann Sexton attended the Carolinas ESOP Chapter First Annual Conference in Pinehurst, NC 8/27/08 – 8/28/08. It was a beautiful location and it was noted several times by J. Michael Keeling that the Carolinas Chapter had set a bar for the other Chapters. He stated he had never been to a conference that was held in as prestigious a location as this was.

A banquet was held Wednesday evening for a meet and greet. There was a putting contest in which the donations went to ESOP Association. The conference began Thursday morning with an introduction by Gale Maret, the Chapter President and following guest speakers:

Virginia Vanderslice, Praxis Consulting – She gave excellent examples of companies that had survived a downturn in the economy in the past. She asked members of the Association to speak on particular experiences in their own companies of how to survive without layoffs, ways to cut back and what to cut first.

Michael Dougherty, CEO Kindermusik – Michael spoke on his commitment to ESOPs, and the changes an ESOP can make in your life stages versus business stages. He also spoke of creating an environment where your life's best work can be done. Imagine the net impact on the world, and focus not only on the private benefits but the public benefits as well. Make the company a positive force for lasting change – initiative, leadership, and showing others the way. He also gave a list of excellent resources as you move forward. In his opinion, there are two basic steps in moving toward your goals much faster:

1. Take care of each other FIRST
2. After taking care of each other – COMMUNITY is second

Three basic life stages/business stages:

- Grow Learn (Health)
- Build Relationships (People)
- Seek Significance (Legacy)

We learned throughout the day from various speakers from Kindermusik & Salem Distributing the importance of committees. Unless these committees begin to think of themselves as contributors to the bottom line, those you put together will never work. Establishing a good social, ownership committee is important to connect employees with the company and to build a bridge for those who WANT to participate and those who DO NOT WANT to participate. A good committee should have:

- Management/Leadership Commitment
- Vision/Mission/Purpose (these should be established first, prior to organization of your committee)
- Support for Purpose (Employee owners need to understand!)

- Member Criteria – Getting on/getting off the committee
- Goals – Must set goals, both long term and short term

Be sure to be creative but careful of overruling creative planning with enthusiasm. Be organized! And remember nothing is concrete and set in stone, do not be afraid of change. Make it a reality and make your goals and missions clear and easy to achieve and understand.

Lastly, we had a round table discussion with an open floor for suggestions and thoughts from members. WE asked a question about language barriers and how to overcome them. The discussion that followed prompted both of us to think about how we want to structure a program to get around language barriers. We also discussed two areas that other companies in the Chapter have been involved in:

1. Charles R. Edmunson Scholarship – this is awarded to Non-Management employees of Employee-Owned companies as an opportunity to attend an ESOP retreat or annual conference. It is a \$1250.00 scholarship and is submitted by the company on behalf of their own employee owner(s). If two from the same company are selected, the scholarship is split. It is to include but not limited to registration, lodging, and travel. We thought this was a great tool in helping offset the costs and encourage more non-managerial employees to get involved.
2. Companies in the chapter have been involved for quite some time in plant-to-plant visits. We both put on our survey that we would be interested in sponsoring such an event for others in the local chapter. Guests from ESOP companies in our chapter would have the opportunity to visit our location and have a discussion sharing how we do things within our organization. We have requested more information on this.

We came back from the conference with a new found respect for our ESOP and the local companies who have the same goals and aspirations as we do. We felt the need to form a sub-committee for local events with management, office, and plant personnel. For more about that see the [Company Spotlight](#) below.

Upcoming Events:

2009 ESOP Southeast Regional Conference March 26 & 27, 2009

The New South and Carolinas Chapters of The ESOP Association are both proud to present the **13th Annual Southeast Regional Conference**. We strive to maintain the tradition of timely, informative and relevant programming delivered by outstanding and expert Chapter Professionals and ESOP Company Members within both Chapters. Please join us in Savannah for this year's "*Weathering the Storm*" as we celebrate ESOPs and employee ownership.

Attached is the brochure for this event. We hope to see you there!!!

The ESOP Association **32nd Annual Conference** **May 6 & 7, 2009** **Renaissance Washington Hotel** **Washington, DC**

http://www.esopassociation.org/meetings/meetings_annual_Conference.asp

CEO Roundtable

First Annual Carolinas Chapter CEO Roundtable was hosted by Michael Dougherty at Kindermusik International, Inc. in Greensboro on May 22-23, 2008. We had fourteen top management people representing thirteen companies based in the Carolinas attend this successful and informational event.

Second Annual Carolinas Chapter CEO Roundtable is in the planning stage and looks to be in April or May, 2009. Please contact Deb Tompkins, Chapter Administrator 978-779-0199 or e-mail carolinasesop@comcast.net if further information is needed.

Other Events on the Horizon

- **2009 Eggs & ESOPS** – ESOP companies in local areas getting together for an hour or two to discuss topics of interest.
 - **Company-to-Company** – More local concentration of ½ day to 1 day events with an ESOP company hosting.
 - **2nd Annual Carolinas Chapter Conference** – Tentatively scheduled for late August in Pinehurst. Keep your calendar open for this GREAT event!
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COMPANY SPOTLIGHT

Carris Reels, Statesville, NC

NC...New focus on ESOP

After being recognized and honored by the ESOP Association in Washington, D.C. as the ESOP Company of the Year, Carris Reels decided to “pull our weight down here.” They needed more involvement in the local Carolinas Chapter. They were hoping to continue with the renewed energy brought back from Washington, DC by Garret Turbyfill & Angela Robles. Their involvement all started with the first Carolina’s Chapter Eggs & ESOP’s breakfast in Winston-Salem in late June, which Leann Sexton and Betty Reynolds decided to attend. It was a great opportunity to meet the Chapter president along with ESOP participants from the local region. They followed up by going to the 1st Annual Carolina’s Chapter conference in Pinehurst.

NC’s New O.E.C.

“Renewed energy and a drive to be involved” is what Leann and Betty brought back from the conference in Pinehurst. They thought a new Employee/Social committee was just what they needed to get things going. Their goal in forming the committee was to promote Employee Ownership and get everyone more involved. They nominated employee owners from different areas to be on the committee and called it the “Ownership Enhancement Committee”. Members include: Betty Reynolds, Leann Sexton, Adrianna Everhart, Cesar Londono, Garret Turbyfill, Angela Robles, and Pauline Sipes. The O.E.C. had its initial meeting early in September to discuss possible ideas to promote and further ESOP knowledge in our plant. This committee will strive to encourage employee owners to learn as much as possible about their ESOP and Carris Reels’ origins while promoting its mission statement through all we do. The committee has come up with many ideas on how the company can give back to its employee owners in appreciation for all they do for the company. Each member of the O.E.C. is stoked to get the ball rolling in NC. Keep an eye out for future O.E.C turnouts as I’m sure this group will have plenty of momentum in the near future!

GOVERNMENT RELATIONS

Looking for the latest ESOP Bulletin, Advocacy Kits, and Capitol Links – your lifeline to all the information you need about pending legislation, Congress, the White House and links to Federal agencies? You’ll find it all and more at <http://www.esopassociation.org/gov/index.asp>.

Don’t Forget the Chapter’s Two Programs:

INVITE A CONGRESSPERSON TO VISIT YOUR COMPANY PROGRAM

The Carolinas Chapter, as a part of a National effort to make every Congressperson aware and informed about ESOPs, is sponsoring a program to assist ESOP Company members invite their Congressperson (Representative or Senator) to visit their respective companies. It is virtually imperative that we inform and educate our elected members on the benefits of ESOPs and what Employee Ownership can bring to America. **Will you join the ESOP community of good citizens by agreeing to host a visit to your company by your elected Congressional Representative?** The Carolinas Chapter Leadership will assist you in every way, once you volunteer to host a visit. In doing so you will join the ranks of those who work for a more economically just, productive, and competitive America. Will you indicate your willingness to host a visit by calling the Chapter President, Gale Marett at 800-1982 ext. 221 or by e-mail at gmarett@salemndist.com.

Find your congress person at the following link:

http://www.esopassociation.org/gov/gov_capitol_links.asp

INVITE AN EMPLOYEE OWNER PROGRAM

The Carolinas Chapter is continuing our program "Invite an Employee Owner". The intent of the program is to invite ESOP Companies who are not members of The National ESOP Association to come to a Chapter Program at NO cost. It is our belief that once that ESOP Company attends a Chapter Program they will begin to realize the value Association membership delivers to its company members in terms of networking, government relations/advocacy, and education on technical/operational ESOP issues and, of course, teaching interested members how to build an ownership culture with all employees thinking and acting like owners. If you know of an ESOP Company that is not a member of The ESOP Association, please pass that information along to either Matt Keene, Vice President - Membership, Keene.Matthew@principal.com or Chapter Administrator, Deb Tompkins, carolinasesop@cast.net.

KINDERMUSIK INTERNATIONAL Carolinas Company Spotlighted in Wall Street Journal

Late last year, Kindermusik was contacted by WSJ freelance writer Laura Lorber regarding an article she was writing exploring the pros and cons of Open Book Management. Several employee owners were interviewed by Laura.

The article can be found in the February 23, 2009 issue of the Wall Street Journal. Click on the links below to read/see more:

<http://online.wsj.com/article/SB123498016796814231.html>

<http://online.wsj.com/video/engaging-employees-in-a-company-future/01F56EF3-6949-4FEC-B384-C7813B45C24B.html>

**Great job Kindermusik
and thanks for continuing to 'spread the word' regarding ownership culture!**

QUESTION OF THE MONTH

Q: If our ESOP is leveraged with an internal loan that is owed to our company, does our company need to actually send money to the ESOP, only to have the ESOP quickly return this money to the company to pay down the loan?

A: It is a best practice to make actual contributions to a leveraged ESOP and have the ESOP make actual loan payments to the sponsoring company. We understand that the IRS' task force on ESOP determination letter requests is planning to take the position that the forgiveness-of-debt approach is not valid.

Some sponsors of leveraged ESOPs simply forgive the principal and interest due from the ESOP on the internal loan owed by the ESOP to the company. Or, they may create simple journal entries reflecting both a cash contribution to the ESOP, followed by the ESOP immediately repaying the principal and interest to the company. In both cases, no money actually changes hands between the company and the ESOP.

To forgive is divine, but maybe not if you sponsor a leveraged ESOP. There are no rules specifically stating that payments on an internally leveraged loan must pass back-and-forth, but absent specific guidance the likely presumption is that they should, similar to the contributions a sponsor would make to an ESOP that owes an outside lender.

Most importantly, the simply process of making actual contributions and repayments clearly establishes the sponsor's deductible contributions and gives the IRS one less issue to delve into should the ESOP ever be audited. By making actual contributions and repayments, you may be able to stay off of the IRS' list of the unforgiven.

CAROLINA CHAPTER LEADERSHIP

Gale Marett, President
J.L.Nichols III, Vice Pres.
William R. Whitehurst, Vice Pres.
Matt Keene, Vice Pres. - Membership
Nick Verna, Vice Pres.
Deb Tompkins
Michael Davis, Immediate Past President

Salem Distributing Company
Nichols Food Services
Womble Carlyle Sandridge & Rice PLLC
Principal Financial Group
Social & Scientific Systems, Inc.
Chapter Administrator
Anderson & Associates, Inc.

Executive Committee Members:

Brant Armentrout
Caryn McNeill
Rebecca Krauss
Carla Jimenez
J. Randell Bishop
Celina Mount
Wayne Oestriech

ComStock Valuation Advisors, Inc.
Smith Anderson
James M. Pleasants, Co, Inc.
Merrill Lynch
J. Randall Bishop Consulting Services
Presentation Strategies, Inc.
Carver Machine Works, Inc.

Anyone interested in volunteering to join the Executive Committee to help run the Chapter? Most of effort is conducted by e-mail and conference calls... a time commitment of app. 1 ½ hrs. monthly. Please contact Gale Marett 800-234-1982 ext 221 or e-mail gmarett@salem-dist.com or Deb Tompkins, Chapter Administrator 978-779-0199 or e-mail carolinasesop@comcast.net.

CAROLINAS CHAPTER PURPOSE

We will accomplish our mission by:

- Providing/sponsoring cost-effective educational and networking opportunities for ESOP companies.
 - Facilitating the exchange of knowledge and ideas between, and providing support and communication to ESOP companies.
 - Publicly supporting the Vision and Mission of the National ESOP Association.
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We welcome your suggestions and comments. Let us know what you would like to see.
We look forward to meeting you at the upcoming chapter activities.
Thank you for your support of Employee Ownership