



The ESOP Association
1726 M Street, NW, Suite 501
Washington, D.C. 20036
202-293-2971 Fax: 202-293-7568
E-Mail: esop@esopassociation.org
Web Page: www.esopassociation.org
President, J. Michael Keeling, CAE

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www.kingarthurfour.com

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E-mail: fstakaki@aol.com
www.chartrehabilitation.com

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www.monroenews.com

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E-mail: gray@lefiell.com
www.lefiell.com

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E-mail: djohnson@brookshirebros.com
www.brookshirebros.com

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Senior VP & Chief Financial Officer
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160 Pacific Avenue, Suite 200
San Francisco, CA 94111-1905
415-875-1174 Fax: 415-875-1124
E-mail: mloleme@norcalwaste.com
www.norcalwaste.com

Mr. Mike Hartman
Principal
Willamette Management Associates
1355 Peachtree Street, NE, Suite 1470
Atlanta, GA 30309-3212
404-475-2311 Fax: 404-475-2310
E-mail: mrhartman@willamette.com
www.willamette.com

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700 East Highland Road
Macedonia, OH 44056-2112
330-468-0700 ext. 2230 Fax: 330-468-0785
E-mail: fjgriffin@patioenclosures.com

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E-mail: hreynolds@crowechizek.com

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Mr. Waite Dalrymple
Parametrix, Inc.
P. O. Box 460
Sumner, Washington 98390-0001
253-863-5128 Fax: 253-863-0946
E-mail: wdalrymple@parametrix.com
www.parametrix.com

The ESOP Association

February 27, 2007

Mr. G. Thomas Woodward
Assistant Director for Tax Analysis
Congressional Budget Office
Ford House Office Building
4th Floor
Second and D Streets, SW
Washington, DC 20515-6925

Dear Mr. Woodward:

On behalf of the over 2,400 members of The ESOP Association, a national trade association of corporations owned totally or partially by an employee stock ownership plan, or ESOP, for the benefit of the employees, I must respond to the Congressional Budget Office's recent recommendation to the Congress that Internal Revenue Code Section 404(k), law since 1984, be repealed. This law, amended in 1986, 1989, and 2001, is referred to as the ESOP dividend deduction law, and permits C corporations under certain circumstances to deduct from their Federal Corporate income the value of dividends paid on employer securities in an ESOP.

The ESOP Association stands ready, and would welcome review of any ESOP provision of law before any appropriate committee of Congress, as the ESOP community has done since 1975 when ESOPs were codified as retirement and ownership programs.

I write however to protest the statement in the recent CBO publication *Budget Options*, page 283, that "However, the efficacy of that incentive has not been clearly established." In context, the word "incentive" refers to the preceding sentence the position that employee ownership through ESOPs help promote increased productivity among workers.

We say that sentence beginning with "However..." is flat wrong, as evidenced by the enclosed academic paper by Dr. Stephen F. Freeman, University of Pennsylvania that surveyed over 30 years of research on the impact of employee ownership through ESOPs, and found the research makes a strong case that companies with ESOPs are high performing, and benefit the employees greater than companies that do not have employee ownership. To be noted, prior to his work on this academic paper, Dr. Freeman was not involved with research and study of employee ownership through ESOPs.

Serving America By Serving Our Members

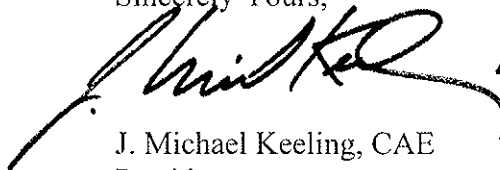
Mr. G. Thomas Woodward

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Thus, we would respectfully request that before the CBO again pushes changes in law to diminish employee ownership through ESOPs, it gives the research on ESOP companies full review.

Sincerely Yours,

A handwritten signature in black ink, appearing to read "J. Michael Keeling". The signature is fluid and cursive, with a long horizontal stroke extending to the left and a large loop at the end.

J. Michael Keeling, CAE
President

JMK:sgs

Enclosure