

The Congressional Company Visit Kit:

Practical Steps For Unparalleled Results



Summer 2008

FOREWORD

Please note, if and your co-owners follow the enclosed steps to obtain a visit of a member of Congress, or his or her top staff person, to your company, and you let The ESOP Association know, we will supplement the following document with a short report on the member of Congress who will visit your company.

The report we will supply will tell you what prior record, if any, the member of Congress has on ESOP issues. The report will tell you what committees in Congress the member serves on, and what relevancy, if any, those committees have to ESOP laws. The report will tell you what the public record says is that member's prime interests as a legislator, and the major, if any, legislative initiatives the member of Congress is involved with. Finally this report will share any interesting data about the member who will visit your company that is relevant to her or his service in Congress, and/or issues.

For example, the report might contain information that the member of Congress was a small business person before going to Congress. This fact would be interesting in that most ESOP companies, and probably yours, are small, privately held businesses. The report might have information that the member recently served in the military. The report might have information that his or her predecessor was a strong supporter of ESOPs. The report might have information that she or he was a lawyer in a law firm that does ESOP legal work.

In other words, The ESOP Association stands ready to give you the most up to date information and ideas for a successful visit by a member of Congress to your company, which is our most important, and most powerful lobbying tool.

[Note: The reference to Member of Congress includes a member of the U.S. Senate, or U.S. House of Representatives.]

THE CONGRESSIONAL-COMPANY VISIT KIT: PRACTICAL STEPS FOR UNPARELLED RESULTS

Introduction: This document establishes why having a member of Congress visit an ESOP company, your ESOP company, is the most important government relations activity you can undertake, and sets forth steps for arranging a visit, what might be done during the visit, and what is the follow-up to the visit.

Fact: The ESOP Association's members have advocated for ESOPs with members of Congress since 1980. There is one fact that has been consistent the entire time: This fact is that the most effective activity in obtaining the support for ESOPs from a member of Congress is having that member of Congress visit an ESOP company. The company visit is more effective than a visit in the member of Congress's home office and certainly more effective than visiting with a member of Congress in Washington DC. (Note, when using the term "member of Congress," included is a Senator.)

To make the factual case—since 1982, no member who has visited an ESOP company in his or her Congressional District or State has failed to take the pro-ESOP position. At worst, one member, who visited an ESOP company in 1985, took a neutral ESOP position after having taken a position not in favor of ESOPs in 1984. In fact, most members of Congress who have visited ESOP companies have become ESOP Champions, or even ESOP Super Champions.

The ESOP position of members of Congress who were exposed to ESOP advocates during DC visits by those advocates does not match the track record of those who have visited with an ESOP company in his or her home district or state.

In sum, if you want to have your member of Congress support pro-ESOP positions, the most effective step you could take would be to arrange a visit by that member of Congress to your company.

First Steps

The ESOP advocate will first want to contact the person who is the so-called District Administrator if the Congressperson's main district office in your area, or the Office Director if the Congressional office near you is a satellite office of his or her primary district office. Given that Congressional personnel frequently change, it is not fatal to not know name of the person. The name is listed in the Congressional handbook the Association provides, on a member of Congress's web site, or call The ESOP Association. Congressional staff change rather often, thus it is not unusual for a printed handbook to be out of date. If you know the staff person's name, use it. A Senator has one main state office, and several regional offices as a rule. If her or his main state office is near you, you will ask to speak to the state Administrator, and if a satellite office, the Office Director.

In seeking an appointment through the District or State office, the best tactic is to call first to nail down whom in that office might handle the member's schedule when s/he is home. Set forth below is a suggested telephone script.

“Congressional Office Phone Answering: Hello, [Congress][woman][man][Senator] [name] office. May I help you?”

ESOP Advocate: Yes, I am [name] and I work for [name of company]. We are an employee-owned, or ESOP company. We are located over on [street address, community, etc]. (*Tip:* Make it vivid where you are located in order to create a visual image. Remember, the person you are talking to probably has driven by, or has heard of your company – you are speaking to a fellow local citizen.) As an employee-owned company, we are required to comply with several federal laws and thus we are subject to being judged by Congress as to whether we are complying with the intent of those laws. I would like to speak to someone about having [Congress][woman][man]/[Senator] [name] visit our company in the near future and meet our people.

Congressional Aide: [Name] handles the [Congress][woman][man]/[Senator's] schedule whiles/he is in the [district] [state]. I will see if s/he is available.

Person Handling Schedule: Yes, this is [name]. May I help you?

ESOP Advocate: Yes, I am [name] and I work for [name of company]. We are employee-owned, our [number] employee owners are more than aware that our employee ownership, through an ESOP, is subject to federal law, particularly Federal tax and retirement laws. We are located over on [address].

We would like to invite [Congress][woman][man]/Senator [name] to our company to see what we are doing and how the employee ownership program, through our employee stock ownership plan, or ESOP is benefiting our people and company. We would be honored for such a visit, and of course, we would at that time take a brief moment to highlight some of the key issues pending before Congress that might affect our employee owners negatively.

Congressional Aide: Well, I do not have the schedule for the [Congress][woman][man]/Senator's next visit to our area, and I would have to review you invitation with him. It would be helpful if you would make your invitation in writing.

ESOP Advocates Response to This Response: Yes we intend to formalize our invitation in writing, and were seeking input on where the letter should go and to whose attention.

Congressional Aide's Response to This Response: Okay, please send the letter to [name of Congressperson/Senator, at this office, marked to [my][name of someone else's] attention, setting forth the information you just gave on the phone here. **Or, if the schedule is handled out of DC,** Well the schedule is handled out of DC, and write the [name of Congressperson/Senator at his/her DC office, and make it to the attention of his/her scheduler [name].

ESOP Advocate: I appreciate that information, and we will get out that letter today. Your time and attention to this matter is very much appreciated."

Note: Since the anthrax attack on Congress, letters are tested and gassed before being delivered to a Congressional office. This process can take up to one week. But emails and faxes are frequently ignored if arrangements are not made ahead of time to email or fax a staff person directly. So when discussing the formal written invitation, ask if you can email it directly to the person handling the member of Congress schedule. If you are not given a specific person's email address, rely on a letter. If faxing, only fax to the person who has told you, "I will expect your fax."

Suggested Letter of Invitation for a Company Visit

Name of Member of Congress/Senator
Local Address/or DC is so instructed
City, State, Zip

Dear Representative/Senator [name]:

On behalf of the [number] employee owners of [name of company], located in [name of city] I spoke with [name of person you spoke to] about your visiting our company when you are home.

We are proud of our employee ownership through an employee stock ownership plan, or ESOP and we also know that Federal laws govern the program. We are also aware that pending before the Congress is both positive ESOP proposals and a negative ESOP proposal.

We believe that the best way to judge the value of employee ownership is to see and meet those who are working with the ESOP in a company, and who are participating in the ESOP at a company.

We would be honored to host you at our office as your schedule permits and hope you can make time to meet with us in the near future.

As we know demands on your time are high, and you receive many requests for visits and appointments, we hope that you and your staff would not mind our checking on the status of this invitation in the weeks ahead. All of us would be honored to have you come.

Your consideration of our request is greatly appreciated.

Sincerely,

Name: *Tip: having several signatures on this letter is helpful.*

cc: [Name of Person Who You Talked To On Telephone]

Note: If you have made arrangements to email or fax, the message is the same as the above letter.

How to Find Congressional Contacts

1. You can call The ESOP Association, and the information will be provided; or
2. Go on The ESOP Association's website, www.esopassociation.org and click on "Government Affairs." Once on Government Affairs, click on "Capitol Links." Once there, you can click onto the website of the U.S. Senate and U.S. House of Representatives. You can get the list of members, once you have yours, click to her or his website for addresses, telephone numbers, or often staff names. (Note, soon this site will have software for direct contact, or letter writing to these offices.)
3. Use the Congressional Handbook provided by The ESOP Association.

Best Time for Visit

While it might be a truism to say, "anytime," or "better late than never," the fact is that having a member of Congress visit your company is best when there is **NO** ESOP government relations crisis. Waiting to interact with a member of Congress when there is a crisis means that the ESOP issue will be one of many issues that might be before the member for decision. And of these non-ESOP issues she or he may be more familiar with and has probably already taken a position on these issues. Such a situation means the ESOP issue might go way down the list of importance to that member of Congress.

So the best time to arrange a visit with a member of Congress is when there are no crisis ESOP issues to be decided by Congress, or in other words, **NOW**.

Specific Time: The best time for a Congressional visit would be during Employee Ownership Month at one of the company's EOM events, during October.

In odd numbered years, October, during the week, is not compatible for most Congressional company visits since Congress tends to be meeting the entire working week that month, except for the long weekend of Columbus Day, or, sometimes during a Jewish Holiday, which of course varies year to year.

In even numbered years, which are election years, October is a good month to try to get a Congressional visit, since Congress more often than not, recesses for the entire month of October before the early November general elections.

But the fact is that many companies do not have special events during EOM, and often, if the events are scheduled, they would not match the member of Congress's schedule.

Here are some general rules about when most Congresspeople are home and thus available for company visits.

- January is a month when the Congress often meets very little.

- February, the week of the President's Day Holiday.
- The week around Easter, which can range from late March to late April.
- The week around July 4th.
- Nearly all of August, as Congress is usually in recess most of August until after Labor Day in September.
- Mid-November and all of December, keeping in mind that in election years, October is usually open for district visits by members of Congress.

Special Events: Many companies have employee owner events that are not EOM related. For example, many companies have an all employee meeting when the new valuation is available, when statements are passed out, or an anniversary of the founding of the company, and similar events.

The Member of Congress Is Here—Now What?

The member of Congress more often than not arrives late, in a car driven by one of his or her district office aides. Please remember to take note of aide and have some one in the company engage that person in conversation during the member of Congress's visit. District staff often feel like the odd person out, but in many ways a District staff person is more influential with a member of Congress than anyone on the member of Congress's Washington staff.

Make sure that people in your reception area know the member of Congress is coming. Have the welcoming delegation ready to come out quickly once notified by front desk personnel.

It is always positive to have on the bulletin board, or stand, a message of welcome for the member of Congress.

Now we come to the meat of the visit.

On the one hand it is dumb to just let the member wander around, or to sit in the conference room and have a disjointed conversation. On the other hand, it is dumb to act like you are afraid of the member of Congress engaging in conversations with employees. And it is a waste of time to permit the member Congress to give a speech, as that speech is more than likely going to take up the entire visit time. (Politicians like to give speeches, as one, they are usually good at it, and two, they do not have to make commitments if there is not time for the constituent to ask a question, or to make a request.)

A good way to think about your time with the member of Congress is that you have a plan of "organized spontaneity," or "spontaneous organization."

There is no question that each company should tailor the visit that best suits its culture and style.

Following is a typical approach:

- A delegation of four or five persons greet the member of Congress in the reception area. The group might include the employee owner chair of the ESOP/employee communications group—goes by various names in different companies as well as the CEO and two or three other senior executives.
- After the greeting, the delegation might escort the member into a conference room for a brief power point, or video about the company, and perhaps some information on its ESOP. The conference room group should include more than the three or four greeters, perhaps 10 or more persons, including, if there is one, the entire ESOP/employee committee group.
- After that presentation of the company and ESOP history, a walk around to see the company, stopping by different stations on the floor, or in the offices if not a manufacturing business, for an exchange of greetings is positive. Having one to three employee owners primed to comment on the ESOP at the company is powerful.
- After the walk around, the core delegation, the first four or five for example, or the CEO, and/or chair of the ESOP/employee committee, should take time, perhaps back in the conference room to make the “sale,” or in other words, to ask for the member of Congress to do “something” for ESOPs.

Now, this outline of a visit is an example, and again each company needs to implement the visit in accord with its own style and culture.

For example, many ESOP companies over the years have had positive results with all the corporate headquarters employees in a room and having just a power point, or video presentation about the company. Others just turn the member of the Congress loose on the company floor, and have him or her meet up with executives later. Others have the member join the early morning “team” session, where the day’s work load and assignments are discussed and divvied out. Others have the member join the annual meeting where the financials are discussed and statements of ESOP accounts handed out. Others have the member join the annual picnic, and its games. Other have the member come to the special event, such as an anniversary celebration and so on.

So flexibility is possible depending on the company, but again, do not leave the encounter to chance.

Helpful Tips for a Company Visit

- The visit is about the people and culture of your company. What makes your company unique? What does your company do/make?
- Get employee owners involved and most importantly, make sure they know when and why the member of Congress is visiting.
 - Provide some background on the member of Congress to the employee owners. You can find this information on his/her website.
 - Announce the visit by email, information in community rooms and on bulletin boards.
- Have a few employee owners ready to share their story about why the ESOP is important. Have a few employee owners ready to ask questions as well.
- Take pictures!
- Send out a press release announcing the visit.
- Most important – Remember to **close the sale!**

What Are You Selling, and How Do You Make the Sell?

It does not serve the ESOP cause well if the goal is to convert a member of Congress to the ESOP champion status to let him or her come to your company, and do no more than pat employee owners on their backs.

It is true that it is sometimes unrealistic to expect a member of Congress to “buy” into the ESOP agenda based on his or her first experience. (If your member of Congress is already on the list of ESOP champions, meaning he or she have publicly done something that is evidence of a pro-ESOP position that is part of the public record, then having the visit is super important to reinforce that member’s view that being for ESOPs is a good political posture to have.)

Right now there is a negative “S ESOP” proposal pending before the House tax committee the Ways and Means Committee, chaired by Congressman Charles Rangel (D-NY). Congressman Rangel has introduced H.R. 3970, a general tax reform bill, that includes a proposal, among many, that would for all practical purposes eliminate any executive deferred compensation payments including synthetic equity in an S ESOP company and would curtail S ESOP creation involving seller financing and/or mezzanine financing. (The specific S ESOP proposal is Section 3701 of H.R. 3970.)

Thus, there is a sense of urgency to having members of Congress learn more about ESOPs, and why to be concerned with Section 3701 of H.R. 3970

So, based on years of experience, and advice from ESOP Champions who serve in Congress, the ESOP community needs to have “voice” on issues that impact ESOPs.

In addition to informing your member of Congress on the negative impact of Section 3701 of H.R. 3970, consider asking them to co-sponsor House Concurrent Resolution 333 which was introduced April 24, 2008 by Congressman Maurice Hinchey (D-NY) and Congressman Dana Rohrabacher (R-CA). H. Con. Res 333 “expresses continued support for employee stock ownership plans”.

This short resolution makes it clear that, based on 33 years of experience with ESOPs the vast majority of ESOP companies are high performing companies and that Congress therefore expresses continued support for employee stock ownership plans.

The ESOP community urges co-sponsorship of the Hinchey-Rohrabacher resolution to demonstrate to all committee of Congress, to the agencies that regulate ESOPs, to the media, and to the public at-large that when ESOP issues are reviewed they should be reviewed with a goal to promote and improve employee ownership through ESOPs.

In the Senate, on the other hand, pro-ESOP legislation is pending, S. 1322, by Senator Blanch Lincoln (D-AR) and others.

The ESOP Association needs to have more Senators stand up for ESOPs by supporting S. 1322. So in the Senate let’s make the ESOP “offense” the ESOP “defense”.

So, when the Congressional visit takes place, either go to the Association’s website and download the Association’s advocacy kit on the web, taking the one pager making the case for the latest Association government relations position, which is, again, opposition to Section 3701 as introduced in the House, and for S. 1322 in the Senate. Make sure that the member of Congress takes the one pager with him or her, or that s/he gives it to his or her staff person visiting accompanying him or her.

All you can ask for is that the member of Congress “consider” supporting the pro-ESOP position, but what it does is open the door for future interaction with the member of Congress as movement is made to have him or her become a “confirmed” ESOP champion.

The Follow-Up

As powerful as a Congressional visit is to an ESOP company in winning support for ESOPs in Congress, it is not the end all of the be all. To really nail down the case for ESOPs, follow-up is crucial. Since follow-up is so crucial, this fact makes it even more important that the ESOP advocates that hosted the Congressional visit have a reason to follow-up, such as asking politely if the member has declared for ESOPs.

Number one, it goes without saying that a nice letter of appreciation from the company, and as many of its employees as it desires, to the member of Congress for his or her visit, that **mentions** by name the staff person[s] who facilitated the trip must be written.

But, in that letter, it is key to remind the member of Congress that he or she promised to consider evidencing support for a pro-ESOP position. If a member of the House, this means

taking another look, with the pro-ESOP view in mind, at Section 3701 of H.R. 3970; if a member of the Senate, it means consider co-sponsoring S. 1322.

For example, the letter towards the end after all the accolades, may say, “You recall that we mentioned [Section 3701 of H.R. 3970, which would hurt S ESOP’s ability to attract and retain strong leaders and curtail S ESOP creation] or [S. 1322, the ESOP Promotion and Improvement Act of 2007], and you indicated that you would review our position. In the days ahead we might contact your office again to learn if you and your staff have more questions about [Section 3701 of H.R. 3970] [S.1322], or if you have concluded your review.

Other Follow-Up Steps: Under the theory that one does not grow Congressional support overnight, but cultivates it month after month, and year after year, the host of a Congressional visit should take every opportunity to renew, or exchange greetings with the member and/or her or his staff.

For example, let’s assume you are attending the Annual Conference in DC. Try to drop by the office of the member of Congress that visited your company before the Congressional reception, or at some other time during the Conference, or the day after if you are staying over. If the member of Congress has not signed on to the pro-ESOP legislation, it is a perfect time to make inquiry about the review process again.

For example, let’s assume your company is having a grand celebration, or opening a new building, or marking a milestone—invite the member of Congress to the event, thinking ahead of time of those periods of the year that the member of Congress might be in her or his state or Congressional district.

For example, let’s assume you read in the newspaper, or received a notice that the member of Congress was going to have a town hall meeting in your community, or near your community. Make a point to attend, and before the formal Q&A period, or after the close, make a point to go up to the member of Congress and shake hands, reminding her or him of his visit. Don’t forget, if the member of Congress local staff person is with him, the same person who came to your company, shake that person’s hand as well, and exchange pleasantries, expressing appreciation once again for the visit.

(Nothing is more powerful than that staff person to say in the car as they drive away, “You know, those ESOP people sure are nice.)

Fall Back

If after several tries, it is not possible to schedule a visit for your member of Congress to visit your company, why not visit the member at his/her District office? While this meeting is not as effective as a company visit in terms of introducing a member of Congress to your company and its culture, it is another way to reach out to your member of Congress.

This meeting is a great opportunity to bring employee owners to the meeting to tell your company’s story and ask for his/her support of ESOPs and employee ownership in America.

Super Duper Fall Back

It is not easy to fit into the schedule of a member of Congress, particularly a Senator who might be in your part of the state only occasionally. No matter what you or your colleagues might think of a member of Congress, they have tremendous demands on their time. There is fortunately a very good fall back position that pays dividends for a future visit by the member of Congress.

If a member of Congress cannot schedule a visit to your company in the near term, ask the top staff person in the district or state office to make a visit. Treat the visit similar to one by a member of Congress, ending the visit with the presentation of the “sales” pitch.

Worthless waste of your time to have a young whipper snapper, hot-shot Congressional aide visit your company? Not at all, as that young person will be riding around the Congressional district or state with the member of Congress many, many hours, with not a great deal to talk about. (Unfortunately, cell phones, and black berries have cut down car talk time between the member of Congress and his or her staff car driver.)

For example, once a company tried and tried and tried to get a Senator to visit their company. Finally they settled on having the state director come to the company. Then in a few weeks that person was riding down the turnpike with the Senator and mentioned that he had visited with a company just off the exit they were passing, and it was a really special company—an ESOP company. The staff man said that the company leaders had invited the Senator to visit, and that he thought that the Senator should do that. The Senator came. The Senator chaired an important committee of Congress, and upon returning to DC told his committee staff that he wanted an employee owner to testify at the next appropriate committee hearing. The employee owner came. Also testifying that day was the Secretary of Labor. He was impressed. He was tasked by the President to have a “seminar/symposium” in Chicago on the work place of tomorrow. He remembered the employee owner. He invited him to testify before the President of the United States. The President of the United States was impressed. It is all on tape.

Never feel you failed if you have the staff person visit your company first.

Conclusion

HAVING A MEMBER OF CONGRESS BECOME AN ESOP CHAMPION IS NOT A ONE TIME EFFORT. ON THE OTHER HAND, THE FIRST ONE TIME EFFORT SHOULD BE A VISIT TO THE ESOP COMPANY, AS IT IS THE MOST EFFECTIVE LOBBYING TOOL IN THE ESOP ADVOCATES KIT. THE DATA FROM THE PAST 30 YEARS PROVES THIS STATEMENT AS A FACT.

Why Section 3701, H.R. 3970 as Introduced Is Not Positive for the ESOP Community

First, there is the potential that Section 3701, H.R. 3970, as introduced would render impracticable any deferred compensation program, other than ESOP contributions, in an S ESOP company. The reason for this bold statement is Section 3701 would tax the deferred compensation at a level equal to, or nearly equal to, the value of the deferred compensation.

Thus, if Section 3701 becomes law as introduced, S ESOP corporations could not attract competent leaders for executive positions, and thus employee owners would see the value of their ESOP accounts go down, more than likely.

Second, if Section 3701 as introduced becomes law, the use of various techniques to finance an S ESOP transaction which results in majority employee ownership will result in taxes so high on the person/entity financing the potential transaction, no transaction will take place.

Limiting the number of S ESOPs will lessen American competitiveness, as evidenced by thirty years of data proving overwhelmingly the vast majority of ESOP companies are much more competitive by many measures than non-ESOP companies.

Finally, it should be noted that Section 3701, as introduced, repeals the Ways and Means amendment to ESOP law in 2001 that sanctioned deferred compensation/synthetic arrangements in S ESOP companies.

In sum, the ESOP community must stop proposed Section 3701 as quickly as possible in the legislative process.

Why S. 1322, the ESOP Promotion and Improvement Act of 2007 Is Good for the ESOP Community

- Repeal the punitive 10% penalty tax on S corporations' distributions from current earnings, also referred to as dividends, paid on ESOP stock that are passed through to ESOP participants in cash.
- Clarify that dividends paid by C corporations on ESOP Stock are not a preference item in calculating the corporate alternative minimum tax.
- Permit sellers of stock to the ESOP on an S corporation to utilize the ESOP tax benefit referred to as the tax deferred rollover, or the 1042 treatment. (b) Permit proceeds received from a 1042 transaction to be invested in mutual funds consisting of operating US corporation securities. (c) Redefine what is a 25% or more owner for purposes of IRC 1042 to be 25% or more ownership of voting stock, or 25% or more ownership of all stock of the corporation, not 25% of any class of stock.
- Increases the de minimus amount eligible for diversification from ESOP stock balances over \$500 to balances over ESOP stock \$2,500.

Background on House Concurrent Resolution 333

On April 24, 2008, Congressmen Maurice Hinchey and Dana Rohrabacher introduced H. Con. Res. 333, “Expressing continued support for employee stock ownership plans.”

This short resolution makes it clear that, based on 33 years of experience with ESOPs the vast majority of ESOP companies are high performing companies and the Congress therefore expresses continue support for employee stock ownership plans.

The ESOP community urges co-sponsorship of the Hinchey-Rohrabacher resolution to demonstrate to all committees of Congress, to the agencies that regulate ESOPs, to the media, and to the public at-large that when ESOP issues are reviewed they should be reviewed with a goal to promote and improve employee ownership through ESOPs.

Below is the precise wording of H. Con. Res. 333

Mr. HINCHEY (for himself and Mr. ROHRABACHER) submitted the following concurrent resolution; which was referred to the Committee on Education and Labor

CONCURRENT RESOLUTION

Expressing continued support for employee stock ownership plans.

Whereas in the Employee Retirement Income Security Act of 1974, Congress codified a technique of corporate finance which utilizes employee stock ownership, officially named an employee stock ownership plan (ESOP);

Whereas in the 33 years since the statutory recognition of ESOPs, there have been ample data collected by objective research indicating that the vast majority of corporations sponsoring employee stock ownership through ESOPs are high performing companies that, among other indicia of high performing companies, have better sales, are more sustainable, pay better, and provide more retirement savings compared to similar companies that are not employee-owned; and

Whereas Congress, in more than 15 laws since 1974, has made it explicit that ESOPs are to serve the dual purpose of providing retirement savings and stock ownership for employees, as well as being a financing technique for corporations: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That Congress expresses its continued support for employee stock ownership plans.

**ENCLOSURES TO USE AS HANDOUTS DURING
CONGRESSIONAL VISITS**

Data and Research on Employee Ownership Through ESOPs



Employee Ownership and Corporate Performance

1. In January 2007, the co-operative relationship between The ESOP Association and the University of Pennsylvania's Center for Organizational Dynamics led to an important new and "fresh" study of the effectiveness of ESOPs and employee ownership as uncovered in 30 years of scholarly research on the issue. The study, "Effects of ESOP Adoption and Employee Ownership: Thirty Years of Research and Experience," authored by Dr. Stephen F. Freeman, Affiliated Faculty and Visiting Scholar in the Center for Organizational Dynamics, Graduate Division, School of Arts and Sciences at the University of Pennsylvania, confirms what the Association has been saying for years, that employee-owned companies experience increased productivity, profitability, and longevity. To download the study, "Effects of ESOP Adoption and Employee Ownership: Thirty Years of Research and Experience," please visit the University of Pennsylvania's Library Digital Archive - http://repository.upenn.edu/od_working_papers/2/. The research was possible thanks to a generous, unrestricted donation to the University by ESOP Association member company, Alliance Holdings Inc. of Willow Grove, PA. Alliance is also a significant donor to the Employee Ownership Foundation, which gives significant donations to the University of Pennsylvania's Center for Organizational Dynamics Program.
2. In 2007, the Employee Ownership Foundation, conducting its 16th Annual Economic Performance Survey, found that a very high percentage of companies, 89%, declared that creating employee ownership through an ESOP (employee stockownership plan) was "a good decision that has helped the company." In addition, the EPS asked companies to indicate their performance in 2006, relative to 2005. Approximately 72% of respondents indicated a better performance in 2006 than 2005, 9% indicated a nearly identical performance, and 19% indicated a worse performance. Around 82% indicated that revenue increased while 18% indicated revenue did not increase. In terms of profitability, 72% indicated that profitability did increase and 28% indicated that profitability did not increase in 2006. This survey was conducted in the summer of 2007 among corporate members of The ESOP Association.
3. The most comprehensive and significant study to date of ESOP performance in closely held companies was conducted by Dr. Joseph R. Blasi and Dr. Douglas L. Kruse, professors at the School of Management and Labor Relations at Rutgers University, and funded in part by the Employee Ownership Foundation. The study, which paired *1,100 ESOP companies* with *1,100 comparable non-ESOP companies* and followed the businesses for *over a decade*, reported overwhelmingly positive and remarkable results indicating that ESOPs appear to increase sales, employment, and sales/employee by about 2.3% to 2.4% over what would have been anticipated, absent an ESOP. In addition, Drs. Blasi and Kruse examined whether ESOP companies stayed in business longer than non-ESOP companies and found that 77.9% of the ESOP companies followed as part of the survey survived as compared to 62.3% of the comparable non-ESOP

companies. According to Drs. Blasi and Kruse, ESOP companies are also more likely to continue operating as independent companies over the course of several years. Also, it is substantially more probable that ESOP companies have other retirement-oriented benefit plans than comparable non-ESOP companies, such as defined benefit plans, 401(k) plans, and profit sharing plans.

4. Research done by the Washington State Department of Community, Trade and Economic Development of over 100 Washington not publicly-traded ESOP companies compared to 500 not publicly-traded non-ESOP companies showed that the ESOP companies paid better benefits, had twice the retirement income for employees, and paid higher wages than their non-ESOP counterparts. *Wealth and Income Consequences of Employee Ownership: A Comparative Study from Washington State*, Kardas, Peter A., Scharf, Adria L., Keogh, Jim, November, 1998.
5. Research conducted by Professor Hamid Mehran, while he served on the faculty of the J.L. Kellogg Graduate School of Management, Northwestern University, of nearly 400 publicly traded companies with significant ESOPs both before and after the adoption of the ESOP, compared to non-ESOP companies in similar lines of businesses, showed that the rate of return for the ESOP companies was 2.7% higher, 60% of the ESOP companies experienced share price increases upon announcement of the ESOP program, and 82% indicated that the ESOP had a positive impact on business results.
6. In 1995, Douglas Kruse of Rutgers University examined several different studies between ESOPs and productivity growth. Kruse found through an analysis of all studies that "positive and significant coefficients [are found] much more often than would be expected if there were no true relation between ESOPs and productivity." Kruse concludes that "the average estimated productivity difference between ESOP and non-ESOP firms is 5.3%, while the average estimated pre/post-adoption difference is 4.4% and the post-adoption growth rate is 0.6% higher in ESOP firms. Kruse cites two studies as part of his research: Kumbhakar and Dunbar's 1993 study of 123 public firms and Mitchell's 1990 study of 495 U.S. business units in public firms. Both reports found significant positive effects of greater productivity and profitability in the first few years after a company adopted an ESOP.
7. In 1995, the U.S. Department of Labor released a study entitled "The Financial and Non-Financial Returns to Innovative Workplace Practices: A Critical Review." This study found that companies that seek employee participation, give employees company stock, and train employees, can positively affect American corporations' bottom lines. In addition, the report cited three studies that analyzed "the market reaction to announcements of ESOPs which found significant positive returns to firms which implemented ESOPs as part of a broader employee benefit or wage concession plan." The three studies are: Chang's 1990 "Employee Stock Ownership Plans and Shareholder Wealth: An Empirical Investigation"; Dhillon and Ramirez' 1994 "Employee Stock Ownership and Corporate Control"; and Gordon and Pound's 1990 "ESOPs and Corporate Control." citation at (202) 293-2971 or E-mail: esop@esopassociation.org.

For additional information about ESOP or The ESOP Association, visit the website at www.esopassociation.org, call 1-866-366-3832, or email esop@esopassociation.org.



Fact Sheet: The ESOP Association

Founded in 1978, The ESOP Association is the national association of companies with employee stock ownership plans (ESOPs) and service providers with a professional commitment to employee ownership through ESOPs.

The Association is the leading voice in America for employee ownership through ESOPs, and devotes considerable time to creating and maintaining favorable ESOP legislation. In addition, The ESOP Association is a prime source for educational materials necessary for successful implementation and administration of an ESOP.

- The ESOP Association represents over 1,400 ESOP companies. Total membership is over 2,500.
- Approximately 99% of ESOP Association members are private, closely-held companies.
- ESOPs exist in large and small companies – 71% of Association members have less than 250 employees.
- While ESOPs are prevalent in a broad range of industries, approximately 28% of Association members are in manufacturing, followed closely by construction and distributing at 13%.
- Average annual sales revenue for ESOP Association members range is approximately \$20 - \$50 million.
- Approximately 60% of ESOP Association members report that their ESOPs have been in place for 10 years or more.
- 65% of Association members have companies that are more than 50% owned by the ESOP.
- 56% of Association members report that their ESOP is currently or was previously leveraged.
- 87% of Association members offer a supplemental benefit plan in addition to the ESOP including, 401(k) plans, pension plans, and profit sharing plans.
- Research indicates that ESOP implementation results in more information sharing, increased communications, and involvement in decision making for employee owners.
- 75% of Association members advertise the fact they are employee owned.
- 82% of ESOP Association members report that motivation and productivity increased as a result of the ESOP.
- ESOP Association members report the average contribution the company makes to the ESOP each year, as a percentage of covered compensation, is 13%.
- The average account balance among ESOP Association members is \$64,652.06.

Information on this sheet was obtained from the "2005 Company Survey," conducted among ESOP Association members in 2005.

SAMPLE PRESS RELEASE TO ANNOUNCE COMPANY VISIT

SAMPLE PRESS RELEASE

For Immediate Release:

Insert Date

For More Information:

Contact Name

Contact Phone

Contact Email

Employee Owners of [Company Name] Thank [Member of Congress Name] for Leadership on ESOPs and Employee Ownership in America

[Insert date] [Insert company location] – Employee owners of [Company name] met with [Name of member of Congress] today at the company’s [office location] location to talk about the importance of employee ownership through ESOPs in America.

[Insert company specific information here.] FOR EXAMPLE: Founded in [year], [Company name] is a [describe company’s line of work], and has had the ESOP (employee stock ownership plan) in place since [year]. The ESOP has a very positive effect on the company, as it creates broad-based ownership among employee owners, and fosters an environment in which everyone understands his or her role in helping the company achieve its bottom line.

[Insert quote from company official here.] FOR EXAMPLE: “We are delighted to be able to share with [Name of member of Congress] our ESOP story and the incredible impact it has had on our company,” said [Name of company official]. “The ESOP has created broad-based ownership among our employee owners and fostered an environment in which everyone understands his or her role in helping the company achieve its bottom line.”

[Insert biographical information about the member of Congress. This information can be found on the member’s website or by calling the member’s office.]

[Insert quote from company official here.] FOR EXAMPLE: “There is a lot of talk about an ownership society in the U.S. and the employee owners of [Name of company] believe that the way to make it happen is through an ESOP,” said [Name of company official]. “We are counting on [Name of member of Congress] to stand up for ESOPs and employee ownership in America.”

[Insert company information here.]

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