



Connection

THE MID-ATLANTIC CHAPTER ESOP ASSOCIATION NEWSLETTER - Summer 2009

Mid Atlantic Chapter Award Winners Honored at MAC Half Day Conference

At the recent Mid-Atlantic Spring Conference, Susan Banks of ComSonics, and Flippo Construction of Forestville, MD, were honored as the MAC's Employee-Owner of the Year, and ESOP Company of the Year, respectively.

Our hearty congratulations to these winners, and we encourage all MAC members to begin thinking now about nominations for EOY and COY in 2010.



2009 MAC ESOP Employee Owner of the Year Susan Brooks-ComSonics

Susan Banks is presently serving her fifth year on the ComSonics' Employee Advisory Committee, returning for her fourth year as the chairperson. She has coordinated the company's Annual Participants Meeting, with the highest attendance ever in 2009; continues to conduct the company's ESOP On Track education curriculum; hosted other MAC ESOP companies visiting ComSonics to discuss forming their own communications committees; and served as a presenter at past MAC events. She also coordinated a visit to ComSonics in October of 2008 by Congressman Bob Goodlatte



2009 MAC ESOP Company of the Year Flippo Construction

Flippo, established in 1971, created their ESOP in 2000. They have formed an ESOP communications committee, lobbied their congressional representatives, and among their many ESOP activities are sponsoring ESOP month events, conducting ESOP breakfasts, and supporting local charitable events. They have been a very positive contributor to the MAC, having regularly attended chapter events, as well as providing presenters on multiple occasions. They also recently brought the MAC President to their company in order to address their management group, discussing various points about employee ownership and how to maximize the return from their ESOP.

Message from the President

Hello again from the Mid-Atlantic Chapter (MAC). I hope this finds you well and enjoying some warm weather. In my area of the Shenandoah Valley, we are now progressing from the wet, too much rain period of spring, to the dry, not enough rain in the summer. This seems pretty typical for our area.

Many of your fellow MAC members, me included, have just returned from TEA's Annual Conference. Serving as presenters from the MAC were Barbara Clough (Blue Ridge ESOP), Mindy Scott (Calibre Systems), Paul Horn (WorkPlace Consultants), Drew Tavss & Steve Earle (MidSouth Building Supply), Ron Gilbert (ESOP Services), Scot Adamson (Morgan, Lewis & Bockius), Brandi Garrett (Flippo Construction), and yours truly. You should recognize many of these names from our chapter level conferences, so rest assured that when you attend a MAC event, you are obtaining some of the best information available in the ESOP world.

The conference, although suffering from lower attendance due to the tight economy, offered its usual abundance of topics, both from a communications as well as a technical perspective. The event was also reformatted slightly to allow attendees more time to visit their elected representatives on Capitol Hill. If any of you were able to visit your congresspersons, be sure to drop a line to Amy Gwiazdowski at TEA Amy@esopassociation.org. She would love to include this in The ESOP Report; be sure to include pictures if available.

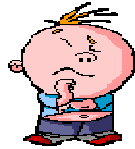
I would also like to thank Paul Horn & Deb Tompkins, as they stood in for me at the Wednesday morning chapter meeting. I, along with several other ComSonics employee-owners, was able to attend Senator Mark Warner's Commonwealth Coffee reception in his office. All MAC members should be interested in cultivating a pro-ESOP relationship with our senators, Mr. Warner and Mr. Webb, as ESOPs do not seem to have too many friends in the Senate these days.

Another area of concern is the continued negative vitriol in the mainstream press against ESOPs and employee ownership. The latest is an article by a University of Illinois professor, Sean Anderson, calling for the abolishment of ESOPs. I have responded that it seems like most of this negativity comes from people that have neither worked in, nor taught about, ESOPs and that they are essentially rendering opinions about things which they do not understand. Please visit The ESOP Association's blog page (<http://www.esopassociation.org/blog/default.asp>) to catch the latest chatter about ESOPs, and take a few moments to weigh in with your opinions about employee ownership.

I will also prompt you once again to consider organizing a visit by your elected representatives to visit your company. Now is a good time to set this up for Congress's fall recess, and all of these reps are seeking better approval ratings, so be sure to strike while the iron is hot.

I will leave you with a reminder, which you will see elsewhere in this issue, about the MAC's 16th Annual Conference, Friday, October 16th, at the Omni Hotel in Charlottesville. Although the theme is "This Old* ESOP, *and New" there will be plenty of stuff for newer ESOPs, and plenty of old hands (yes, I'm referring to myself!) around to have their brains picked. Michael Keeling & Dick Duffy will be joining us from TEA, along with many of your MAC favorites, and some new faces too. Also put on your calendar that your fellow ESOP hackers will be chipping up the golf course on Thursday afternoon, October 15th; contact Deb Tompkins (MidAtlanticESOP@comcast.net) for details on that as well.

T. Keith Robertson, President, Mid-Atlantic Chapter



Paul Horn, WorkPlace Consultants, LLC

Paul
Opines

A paradox is a self-contradictory statement that on its face otherwise appears true. A well-known paradoxical statement attributable to Groucho Marx is, "I refuse to join any organization that will accept me as a member." Needless to say, Groucho never joined the Mid-Atlantic Chapter of the ESOP Association.

Let's examine what some might call a paradoxical statement in the ESOP arena.

"Employees become owners through their ESOP."

As you know, an ESOP does not give employees direct ownership of any stock. The stock allocated to employee accounts is held in the ESOP trust, and the ESOP trustee is the shareholder. Unless the company allows, employees do not attend shareholder meetings, elect the Board of Directors, nor have a statutory right to vote on a tender offer to buy their ESOP shares.

Employees get an ESOP account statement, not a company stock certificate. The stock has no public market, is not transferable, and its value only realized when the participant is eligible for an ESOP distribution. Finally, the ESOP is a long-term benefit with the ESOP shares generally awarded to eligible employees based on compensation, not individual merit.

This doesn't sound much like real ownership, so why the interchangeable use of the terms ESOP and employee ownership? Employee ownership certainly sounds better than ESOP ownership, but literally the term tells us little about the company or an ESOP. For example, if Joe CEO and Joan COO own 100% of the company stock, the company is literally employee-owned. Similarly, a company where the ESOP owns 30% and Joan holds the rest also is employee-owned, even though its culture can be quite different than a 100% ESOP company.

So what must employees really have to become "owners?"

We suggest that workplace ownership does not flow merely from the ESOP, shareholder status, or some other equity interest. While the ESOP is an important puzzle piece, real workplace ownership requires the employee's control over critical job elements and work product. It is a process whereby the employer provides the necessary tools, training, and reward structure so employees can assume responsibility for delivering desired outcomes. It means moving away from "one size fits all" programs and appraisals to new approaches that objectively measure and reward customer satisfaction and performance.

We wash our own cars but not rental cars because we only have short-term possession and no ownership interest therein. (Of course, the rental car company needs to wash and clean the car or we'd take our business elsewhere.) Unfortunately, many employees also treat their job like rental cars, even at ESOP companies, because they do not have ownership of their job or career.



Your complimentary
use period has ended.
Thank you for using
PDF Complete.

Don't work
customers
(s). Each
es without
customers
request.

Click Here to upgrade to
Unlimited Pages and Expanded Features

Unfortunately, a customer-centric ethos is missing in many organizations. Manifestations are poor service and plain indifference. This dysfunction has infected many companies that now take BOTH customers and employees for granted.

To truly make employees into owners, they need tools, training -- and also the freedom to fail. Not the freedom to be failures, but the freedom to think creatively, seize initiative, and use discretion to help customers. It means restoring a sense of entrepreneurship so all employees see a direct link between their pay and performance. In short, it means having each employee thinking as a separate P&L center with its own bottom line. The above advice certainly applies to any company, ESOP or not. However, when you apply this approach to an ESOP company, the employees also share in the creation of long-term value through their ESOP accounts.



Annual Conference

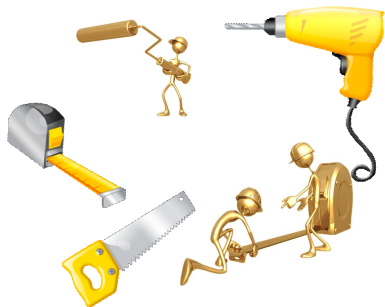
"This Old* ESOP"

*and New

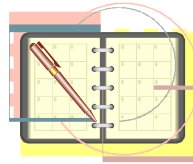
October 16, 2009

Omni Hotel, Charlottesville, VA

Golf Tournament October 15,
2009



Whether you are remodeling or newly constructed, be sure to join us for the right blueprints, tools, and financing ideas to maximize property value and sustain your ESOP.



Calendar of Events

September 29 & 30, 2009

[Board of Directors Retreat](#)

The Drake Hotel

Chicago, IL

Contact Maya Van Buren or Rosemary Clements @ 202-293-2971 or

meetings@esopassociation.org

October 15 & 16, 2009

Mid- Atlantic Chapter

Annual Fall Conference and Golf Tournament

Omni Hotel

Charlottesville, VA

Contact: Deb Tompkins midatlanticesop@comcast.net

November 12 & 13, 2009

[Las Vegas ESOP Technical Conference & Trade Show](#)

Caesars Palace

Las Vegas, NV

Contact Maya Van Buren or Rosemary Clements @ 202-293-2971 or

meetings@esopassociation.org

2010

January 28-30, 2010

EOF Employee Owner Retreat

DoubleTree Oceanfront

Cocoa Beach, FL

Contact: Karen Thomas/Bill McIntyre/Chris Cooper/Jay Simecek at

oeoc@kent.edu or 330-672-3028 or Rosemary Clements at 202-293-2971

February 4-6, 2010

EOF Employee Owner Retreat

Hilton Phoenix East/Mesa

Mesa, AZ

Contact: Karen Thomas/Bill McIntyre/Chris Cooper/Jay Simecek at

oeoc@kent.edu or 330-672-3028 or Rosemary Clements at 202-293-2971.

February 18 & 19, 2010

[Winter Technical & Operational Seminar for S & C ESOPs](#)

The Ritz Carlton

New Orleans, LA

Contact: Maya Van Buren or Rosemary Clements @ 202-293-2971 or

meetings@esopassociation.org

May 12 & 13, 2010

[33rd Annual ESOP Conference](#)

Washington Renaissance Hotel

Washington, DC

Contact: Maya Van Buren or Rosemary Clements @ 202-293-2971 or

meetings@esopassociation.org

Great Job by MAC members who spoke at TEA's Annual Conference in May

Barbara Clough / *Blue Ridge ESOP*

Mindy Scott / *CALIBRE*

Keith Robertson / *ComSonics, Inc.*

Ron Gilbert / *ESOP Services*

Brandi Garrett / *Flippo Construction*

Drew Tavss, Steve Earle / *Mid-South Building Supply*

Scot Adamson / *Morgan, Lewis and Bockius*

Paul Horn / *WorkPlace Consultants, LLC*



Your complimentary use period has ended. Thank you for using PDF Complete.

Click Here to upgrade to Unlimited Pages and Expanded Features

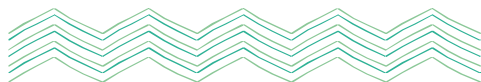
October is always the perfect opportunity for any ESOP company to plan special events. At ComSonics we put an educational spin on as many of our ESOP Month activities as possible. Planning early gives you plenty of time to expand on your ideas and to give each one purpose. With some imagination, the possibilities are endless; you can plan fun and educational activities that are best suited to your company. That's what it's all about - a month long celebration of your company's culture, employee-ownership, and ESOP!

You can use most of your activities to provide further education to your employee-owners about the ESOP and what it means at your company. Things like ESOP crossword puzzles and word finds are both fun and educational. A perennial crowd pleaser at ComSonics has been ESOP Bingo, which we run over the PA system. We also frequently conduct financial updates, sessions about the company's history, and brief seminars on the latest products being developed and marketed by our company. Although this last item might seem like a no-brainer, in fact many of our employees are disconnected from our customers and the products and services we offer, and this is an excellent chance to help them see our external face, so to speak.

Other companies sponsor all sorts of events under the ESOP banner in order to generate enthusiasm. Some of these are games, some educational events, and many companies coordinate local charitable efforts during this time. Two things we do are a food drive for the local food bank, and we begin our U.S. Marine Corps Toys for Tots drive right after ESOP Month.

There are also all sorts of "simply fun" stuff you can do such as theme days, hat day, sportswear day, and pajama day (subject to H.R. approval, of course), and the always popular costume day, which we hold on October 31st, which of course is Halloween.

So put your thinking caps on and get to work. Another source of ideas is to visit the member section of TEA's website (www.esopassociation.org), download the latest Membership Directory, and look at past winners in the Special Events category of the AACE Awards. These companies have proven they know how to put on an ESOP party, and are always willing to help other ESOPs, so give them a call. Finally, don't hesitate to contact your MAC officers, as they can point you in the right direction to get things started.



Thanks to Our Conference Sponsors

Conference, planned?



Emcee Keith welcomes the group to "ESOP Survivor, Charlottesville"

The Recyclers Green Team Challenged in Virginia

By Harold A. Burch, 2nd Shift Supervisor – VA (Carris Reels)

In April 2009, in Charlottesville, Va., I was asked to "Out Think, Out Perform, Out Earn" at an ESOP Conference that I attended with 4 other supervisors from our Virginia plant.

Based on "Survivor", each table was asked to choose a tribe name and participate in 4 challenges: Communication, Fiduciary, Valuation, and Administration. For each challenge we were given a hypothetical company's predicament based on each of the above subjects. We were asked to offer our solutions/recommendations in each case. At the end of each challenge, the Mid-Atlantic Chapter ESOP President, Keith Robertson, was the final judge as to who had the best ideas. After all 4 challenges, the team with the best score was announced the ultimate "Survivor".

Although there was a lot of technical jargon used by the presenters and other "challengers", The Recyclers Green Team (Carris, Va. plus Tracy Holzman, Blue Ridge ESOP) was able to offer viable solutions/recommendations for each challenge. We relied on good common sense, ability to communicate with each other, good decision-making, and finally good problem solving skills to deliver on each challenge.

I learned some important lessons as a result of my participation in this conference: 1) ESOP companies are faring better than publicly traded companies during the recession as far as valuations are concerned, 2) at Carris, we already have in place much of what was being discussed, but we still have room to grow, and 3) the Repurchase Liability is a common problem that needs to be looked at seriously and creatively by ESOP companies.

One of my beliefs that were confirmed by attending this conference is that inclusion in decision making and input from employees is one of the wisest uses of an **organization's most important resource – their people.**

Carris Reels is a long-time member of TEA. 2008 TEA ECOY, and is located in Vermont. We were glad that some of their Virginia-based employees were able to attend out conference.

Attendees are given their challenge





Your complimentary
use period has ended.
Thank you for using
PDF Complete.

[Click Here to upgrade to
Unlimited Pages and Expanded Features](#)

al change, ownership (Macfadden), a is a prime example of how an ESOP can be a catalyst for dramatic organizational change.

Macfadden is an employee-owned, international diversified professional services corporation that provides integrated information technology solutions and program management support services to federal agencies and commercial clients that impact the health, safety and security of the world around us. Core business competencies include international development, compliance and monitoring support, information management, disaster response and homeland protection. Key federal clients include the U.S. Agency for International Development; U.S. Coast Guard; Department of Agriculture; Department of the Interior; Department of the Treasury; Department of State; Environmental Protection Agency; Peace Corps and the Transportation Security Administration. Macfadden has served many of its clients for 15 to 20 years.

Ownership Transition and Organizational Change

Founded in 1986, Macfadden operated successfully for over 20 years under the leadership of company founder Jim Macfadden, the company's sole shareholder. Macfadden began its transition to employee ownership in 2004 when an ESOP was established to purchase 35% of Jim Macfadden's stock. In 2007 the ESOP acquired the remaining shares, completing the company's transition to a 100% employee-owned company. In 2008, Macfadden switched to S Corporation status, to capture significant tax savings that the company has used to accelerate debt payments and invest in growth opportunities.

In April 2008 Macfadden acquired Systems Integration Group, Inc. (SIG), a leading provider of professional, engineering and information support services to both federal and commercial markets. The SIG acquisition complemented and expanded Macfadden's IT service offerings and effectively doubled the company's size both in terms of number of employees and total revenues, and expanded the client base within the federal government to nearly a dozen agencies.

Later that same year Macfadden formed a new wholly-owned subsidiary company, Total Security Services International, Inc. (TSSI) to develop robust, proactive, and flexible solutions that enhance our nation's ability to protect its greatest assets, plan for security operations and prepare and respond to large-scale international and domestic emergencies. With decades of experience supporting rapid response efforts and international disaster preparedness programs, TSSI was a natural extension of the Macfadden service offering.

Transformational Challenges

Such rapid change has brought with it organizational challenges from financial restructuring and consolidating offices, to merging benefit plans, and working to realize the many opportunities available from merging separate corporate cultures into an integrated employee-owned company. As a result of its rapid growth, Macfadden is nearing the end of the company's eligibility to compete for contract awards designated as small business set-asides. A prime contractor on several large contract vehicles, has successfully competed for several new IDIQ awards to position itself for future contracts, and is building on that base by establishing solid teaming relationships with large top-tier government contractors to compete effectively for fully competitive federal government procurements.

With its corporate headquarters in Silver Spring, Macfadden has a geographically distributed workforce of more than 225 employees throughout

the greater Washington, DC region, including offices in Chesapeake, VA. The company also has three offices in foreign countries and frequently deploys employees and consultants on international assignments. With many employees participating in the ESOP for the first time, that places a premium on effective company communications so that employees can fully understand the shared risks and rewards of broad-based employee ownership in a growing company.

When our employees are asked what they enjoy most about their work, the resounding answer is usually that they have the opportunity to truly make a difference, according to Macfadden's President and CEO, Russ Hall. At Macfadden we are working to promote and support the safety and security of people, information and infrastructure around the world. Whether working on a contract that supports efforts to protect our nation's food supply, provide access to drug safety information or support responses to global disaster areas, our employees embrace the mission of our clients. As employee owners, they can know that they are not only making a difference in the world around them, but also have a stake in the success of the company itself.

Despite a tough economic environment, the value of Macfadden's ESOP stock price has grown steadily since its inception in 2004, reflecting stable growth and longevity of service with its roster of federal clients. Many challenges remain but Macfadden's experience as an employee-owned company to date provides another example of the power of ESOPs to be an effective catalyst for corporate change and expanded opportunities for the company's employees.

Employee Ownership Foundation Raffle

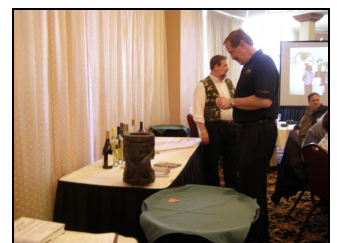
Thanks to all who participated in the raffle to benefit the Employee Ownership Foundation. Thanks to your generous donations, a total of \$339 was raised.

The lucky winner of the Survivor Props



Hopefuls pick winning raffle tickets.

Who's the lucky one?



[Click Here to upgrade to
Unlimited Pages and Expanded Features](#)



Dr. ESOP™

Dear Dr. ESOP:

Listen, I have no problem with the value of the company shares in my ESOP account going up (I have some heartburn when it goes down), but I'm not quite sure how the value is arrived at. I know we're not a public company so I can't look in the newspaper to find the value. I recently had a home appraisal done when I refinanced. Is the valuation process similar for private companies?

Baffled in Baltimore

Dear Baffled:

You are correct; the process is somewhat similar to a home appraisal except there are no drive-by business appraisals (or at least there should not be). The appraiser has to get in the door and closely scrutinize the company's financial information and talk extensively with senior management about their projections.

In a home appraisal, sale prices of comparable homes in your neighborhood are examined and adjustments are made to this data for your home's particular features (e.g., two-car garage, finished basement). For your company, the appraiser will look at information on public companies and recent acquisition activity in your business neighborhood to derive multiples to be applied to your company's particular financial data. For example, the news might report that a company sold for 10x annual earnings. The 10x is an example of a multiple. The appraiser also will look at the company's historic cashflows and future cash flows. The next step is to weight the values derived from these methods.

The appraiser also may apply a control premium to increase the company value (if your ESOP owns more than 50% of the company) as well as a discount for lack of marketability (because there is no public market for your stock). The resulting enterprise value for the company is reduced by any debt and this figure is divided by the number of outstanding shares to produce the per share value.

This process can take several months to complete so it may take until May for the prior December 31 share price to be determined. It has been said in jest that an economist knows the price of everything but the value of nothing. Guess that's why you need a competent appraiser to determine the value of your company. Hope your stock price keeps going up.

Dr. ESOP (aka Paul)

Have a question for Dr. ESOP?
Submit it to the Chapter Office:
midatlanticesop@comcast.net.

Mid-Atlantic Chapter Officers

President:

T. Keith Robertson

Comsonics, Inc.

(540) 434-5965 x1251 Fax: (540) 434-9847

krobertson@comsonics.com

Vice-President-Membership:

Paul S. Horn

WorkPlace Consultants, LLC

(301-806-7422) Fax: (301) 365-7912

paulhorn@workplaceconsultants.net

Regional Vice-President-Capitol Region:

Tom Roback, Jr., CEP, QCA

Blue Ridge ESOP Associates, Inc.

(410) 747-4840 Fax: (410) 747-4839

trobback@blueridgeesop.com

Regional Vice-President-Eastern Virginia

Richard C. Mapp III

Equity Strategies, LLC

Kaufman & Canoles

(757) 624-3285 Fax: (757) 624-3169

rcmapp@kaufman.com

Regional Vice-President-Western Virginia

Steven King

Gala Industries, Inc

(540) 884-2589 Fax: (540) 884-2310

SKing@Gala-Industries.com

Chapter Administrator

Deborah Tompkins

(978) 779-0199 Fax: (978) 779-0199

midatlanticesop@comcast.net

We are always looking for recruits for our officers and Steering Committee. If you would like to be a part of setting the course for the chapter, please call one of the officers listed above.



Your complimentary
use period has ended.
Thank you for using
PDF Complete.

MAC Members 2009

[Click Here to upgrade to
Unlimited Pages and Expanded Features](#)

PROFESSIONAL MEMBERS

Isaiah Aguilar, *Stout, Risius, Ross, Inc*, McLean, VA
Joseph Gilbert, *Morgan Stanley*, Washington, DC
Douglas Bayer, *Morgan Stanley*, Washington, DC

AFFILIATE MEMBERS

D. Shawn Wheeler, *Brown Electric Co. Inc.*, Charleston, WV

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

Contact:

Deborah Tompkins
Chapter Administrator P.O.
Box 625 Stow MA 01775