Media Kit
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The ESOP Association – Membership Facts

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 – 72% of Association members have less than 250 employees.
- While ESOPs are prevalent in a broad range of industries, approximately 22% of Association members are in manufacturing, followed closely by construction (13%) and engineering (9%).
- Average annual sales revenue for ESOP Association members range is approximately $20 - $50 million.
- Approximately 65% of ESOP Association members report that their ESOPs have been in place for 10 years or more.
- 82% of Association members have companies that are more than 50% owned by the ESOP.
- 71% of Association members report that their ESOP is currently or was previously leveraged.
- 90% 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.
- 78% of Association members advertise the fact they are employee owned.
- 84% 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 $195,222.65.

Information on this sheet was obtained from the "2010 Company Survey," conducted among ESOP Association members in 2010.

ESOP Facts & Figures - Nationwide

- There are approximately 11,500 ESOPs in place in the U.S., covering 10 million employees (10% of the private sector workforce).
- These employees draw in excess of 3% of their total compensation from ESOP contributions.
- The growth of ESOP formation has been influenced by federal legislation. While the rapid increase in new ESOPs in the late 1980s subsided after Congress removed certain tax incentives in 1989, the overall number has remained steady with new plans replacing terminated ESOPs. Currently, it is estimated that there are approximately 11,500 ESOPs in place in the U.S. However, there is no precise way to measure this figure accurately since the overwhelming majority of ESOP companies are privately held and do not file public reports with the SEC.
- About 330 ESOPs - 3% - are in publicly traded companies. However, these companies employ just under 50% of the nation's 10 million employee owners.
- An estimated 7,000 of the 11,500 companies have ESOPs that are large enough to be a major factor in the corporation's strategy and culture.
- Approximately 4,500 ESOP companies are majority-owned by the ESOP.
- Approximately 3,000 are 100% owned by the ESOP.
- About 2% of ESOP companies are unionized.
- While ESOPs are found in all industries, over 20% of them are in the manufacturing sector.
- At least 70% of ESOP companies are or were leveraged, meaning they used borrowed funds to acquire the employer securities held by the ESOP trustee.
- An overwhelming majority of ESOP companies have other retirement and/or savings plans, such as defined benefit pension plans or 401(k) plans, to supplement their ESOP.
- Of the 11,500 employee-owned companies nationwide, fewer than 2% were financially distressed when they established their ESOP.
- Total assets owned by U.S. ESOPs is estimated to be $901 billion at the end of 2007.

Employee Ownership & Corporate Performance

1. In the new book, *Shared Capitalism at Work: Employee Ownership, Profit and Gain Sharing, and Broad-Based Stock Options,* edited by Douglas L. Kruse, Richard B. Freeman, and Joseph R. Blasi, the editors list some take away findings on shared capitalism. The book identifies employee stock ownership plans (ESOPs) as a primary model of shared capitalism in the U.S. Below are the summarized findings.
    a. Shared capitalism is a significant part of the U.S. economic model. Shared capitalism can increase wealth for workers at lower and middle income levels.
    b. Shared capitalism improves the performance of firms. It is associated with greater attachment, loyalty, and willingness to work hard; lower chance of turnover; worker reports that co-workers work hard and are involved in company issues; and worker suggestions for innovations. Shared capitalism is most effective when combined with employee involvement and decision-making and with other advanced personnel and labor policies.
    c. Shared capitalism improves the performance of worker well-being. It is associated with greater participation in decision-making; higher pay, benefits, and wealth; greater job security, satisfaction with influence at the workplace, trust in the firm, and assessment of management; and better labor management relations practices. Shared capitalism is most effective when combined with employee involvement and decision-making and with other advanced personnel and labor practices.
    d. Shared capitalism complements other labor policies and practices. Forms with shared capitalism compensation are more likely to have other worker-friendly labor policies and practices. Combinations of shared capitalist pay and other policies, such as devolving decision-making to employees, wage at or above the market rate, and lower supervisory monitoring, produce the largest benefits for workers and firms.
    e. The risk of shared capitalism investments in one's employer is manageable. Portfolio theory suggests employee ownership can be part of an efficient portfolio as long as the overall portfolio is properly diversified. Most workers have modest amounts of employee ownership within the ranges suggested by portfolio theory. Less risky forms of shared capitalism such as cash profit sharing and stock options where workers are paid market wages, or company stock is not financed by worker savings, can be prudently combined with riskier forms where workers purchase stock.

    Shared Capitalism at Work: Employee Ownership, Profit and Gain Sharing, and Broad-Based Stock Options, edited by Douglas L. Kruse, Richard B. Freeman, and Joseph R. Blasi, The University of Chicago Press, National Bureau of Economic Research, 2010. Above information can be found on page 12.

2. In August 2010, The ESOP Association and the Employee Ownership Foundation released the results of a survey conducted among the Association's 1,400 corporate members which confirmed positive benchmarks for ESOPs. The eye-opening statistics of the 2010 survey are the increase in age of the ESOP and account balances. In 2010, the average age of the ESOP was reported to be 15 years, demonstrating ESOP companies are sustainable. In addition, the average account balance has risen dramatically to

$195,222.65; a high figure compared to most data tracking defined contribution plans which correlates with the age of ESOPs participating in this year's survey. And approximately 90% of members reported having retirement savings plans in addition to the ESOP including the use of 401(k) plans, pension plans, stock purchase plans, and stock options. In terms of motivation and productivity, 84% of respondents agree that the ESOP improved motivation and productivity. The Company Survey is conducted every five years and was last completed in 2005. Prior to 2005, the survey was completed in 2000.

Also in September 2010, the Employee Ownership Foundation released the results of an extensive study it funded that evidenced that ESOPs provide more employee benefits than non-ESOP companies. The study, which reviewed data from the Department of Labor Form 5500 on defined contribution retirement plans, found:

- ESOP companies have at least one plan, the ESOP, but more than half (56%) have a second retirement savings/defined contribution plan, likely a 401(k) plan. In comparison, the Bureau of Labor statistics reports that 47% of companies have some sort of defined contribution plan which shows that an ESOP company is more than likely to have two defined contribution plans than the average company is to have one plan.
- The average ESOP company contributed $4,443 per active participant; in comparison to a non-ESOP company with a defined contribution plan which contributed on average $2,533 per active participant. This study found that on average ESOP companies contributed over 75% more to their ESOPs than other companies contributed to their primary plan.

The project was done by the National Center for Employee Ownership (NCEO).

Finally, in the summer of 2010, the Employee Ownership Foundation released its 19th Annual Economic Performance Survey (EPS), that evidenced a very high percentage of companies, 91%, declared that creating employee ownership through an ESOP (employee stockownership plan) was "a good decision that has helped the company."

3. In June 2008, Brent Kramer, a doctoral candidate at the City University of New York, now Ph.D., submitted a study, *Employee Ownership and Participation Effects on Firm Outcomes*, that "provides strong evidence that majority employee-owned businesses have a significant advantage over comparable traditionally-owned businesses in sales per employee." The average advantage, $44,500, means that a typical 200 person ESOP firm could be expected to have an almost $9 million annual sales advantage over its non-ESOP counterpart. Sales per employee is the total of a company's sales divided by the number of employees, and is a commonly used measure of a company's productivity. Highlights of the study include: 1.) Using standard statistical methods, it was found that the average sales advantage for the ESOP firms in the study was $44,500, or an average of an 8.8% sales per employee advantage over their non-ESOP counterparts in the same industry and of the same size; 2.) It was found that firms that ask for non-management employee input into innovation in work processes have a greater employee-owned advantage in sales per employee; 3.) Kramer's research indicates the sales per employee advantage for the 50% plus ESOP companies compared to non-ESOP companies is less for larger employers. The Employee Ownership Foundation providing funding for the research and The ESOP Association contributed membership information to the study. A total of 328 ESOP firms and over 2,000 matching non-ESOP firms were included in the study.

4. In January 2007, the co-operative relationship between the Employee Ownership Foundation 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. Steven 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.

5. 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.

6. 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.

7. 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.

8. 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@esopassocation.org.

The ESOP Association - Membership Statistics

Membership Statistics:

Corporate Members – 1,398
Professional Members – 1,030

Please note: the figures below include both corporate and professional members of The ESOP Association as of 2/25/2011.

Members by Chapter:

California/Western States - 349
CA = 277
AZ = 31
CO = 22
NV = 7
UT = 12

Carolinas - 59
NC = 42
SC = 17

New South - 151
FL = 41
GA = 65
AL = 10
MS = 3
TN = 32

Hawaii - 39

Heart of America - 100
KS = 34
MO = 66

Illinois - 210

Indiana - 65

Iowa/Nebraska - 87
IA = 61
NE = 26

Michigan - 79

Mid-Atlantic - 211
DC = 22
MD = 50
VA = 135
WV = 4

Minnesota/ Dakotas - 171
MN = 142
ND = 22
SD = 7

New England - 131
CT = 25
MA = 51
ME = 11
NH = 18
RI = 7
VT = 19

New Jersey/ New York - 155
NJ = 30
NY = 125

Northwest Region - 89
AK = 3
MT = 10
ID = 8
OR = 25
WA = 39
WY = 4

Ohio/Kentucky - 179
OH = 130
KY = 49

Pennsylvania/ Delaware – 115
PA = 111
DE = 4

Southwest - 162
AR = 8
LA = 17
NM = 12
OK = 19
TX = 106

Wisconsin – 67

The ESOP Report - The Newsletter of The ESOP Association

The *ESOP Report* is the official voice of The ESOP Association. The newsletter and magazine are distributed to approximately 4,500 members of the ESOP community, which includes all corporate, professional, affiliate, and educational members of the Association.

The *ESOP Report* contains the latest information on regulatory and case law updates, Capitol Hill briefings, technical and managerial advice from ESOP professionals, and Association news to keep you in the loop.

The newsletter is published monthly, 12 times a year.

To receive a copy of the *ESOP Report* newsletter, please send an email to media@esopassociation.org.

ESOP report

The Voice of The ESOP Association
Serving the Entire ESOP Community

Vermont Senators Leahy and Sanders Ask DOL for Public Hearing — Get Response

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New Year, New Look

In 2011, after nearly 14 years of sporting the same cover, the *ESOP Report* will get a new look.

In the upcoming months, you'll see the new design but know the information provided in these pages each month will be the same high quality that we always strive to provide to Association members. The well-known and well-read columns such as the President's Page, Ownership Advantage, Washington Report, and the Legal Update will remain and the general layout of the newsletter will be the same you currently know; the only difference will be the new look.

For additional information about ESOPs and employee ownership, please contact The ESOP Association at 202/293-2971 or by email at media@esopassociation.org or visit our website at http://www.esopassociation.org

To schedule an interview with an ESOP Association media representative, please contact Amy Gwiazdowski, Director of Communications for The ESOP Association at 202/293-2971 or by email at amy@esopassociation.org.