



Connection



THE MID-ATLANTIC CHAPTER ESOP ASSOCIATION NEWSLETTER

February 2010

Message From The President

Since my last blurb, which spoke about warm weather and dry spells, things have changed a bit. As I write this, we just experienced a bit of mild January temps, coming on the heels of a long frigid spell, where the snow from mid-December stuck around for weeks. Of course I know that our Chapter Administrator, Deb Tompkins, who lives in Massachusetts, will laugh at us "southerners", but that doesn't matter. We're still cold and that's all there is to it!

One topic this month is again legislative. There's a nice write-up in the January 2010 issue of The ESOP Report under "The Washington Report" section. In all, there have been several pro-ESOP bills introduced in Congress over the past year, which is a positive indication. This shows we are cultivating more pro-ESOP congresspersons, something we definitely need. Although the introduction of the legislation is a far cry from having it signed into law, it is a good trend to see.

A continued area of concern is the ongoing court battles surrounding Sam Zell and the Chicago Tribune Company. As you all know an ESOP was involved, and even though that had nothing to do with the Tribune's financial woes, some critics would try to make you think otherwise, or at least make you think that ESOPs are bad. In fact, the Tribune's problems are mainly that it is in the newspaper publishing business, and although that industry needs to reinvent itself, it has been slow to do so. Sort of reminds me how the railroad business was so slow to realize it was not in the railroad business, but in fact was in the transportation business, and over the road truckers ate their lunch.

I will continue to prompt all MAC companies to consider organizing a visit by your elected representatives to visit your company. Although Congress's fall recess is months away, now is the time to get on their schedule, especially since this year is the mid-term elections. It's much easier to secure a visit if your representative is running for reelection, so jump on that now.

Finally, there are lots of great events coming up. There will be a Tri-Chapter Regional Conference in March (MAC, Carolinas, and New South chapters), the MAC's April Half-Day Conference, our second annual CEO/CFO Conference in late April, TEA's Annual Conference in May, and of course our 17th Annual MAC Conference in October. Be sure to check the schedule in this newsletter and put these events in your calendar. For more details please contact our Chapter Administrator, Deb Tompkins (MidAtlanticESOP@comcast.net) or me at krobertson@comsonics.com. Thanks.

*Keith Robertson, President,
The ESOP Association's Mid-Atlantic Chapter*



*What does a centipede and
ESOP have in common?*

The Second Annual

Mid-Atlantic Chapter CEO/CFO Conference

April 27, 2010

Wyndham Virginia Crossings Hotel & Conference Center
Glen Allen, VA

Conference Co-hosts, Joanne Bryant, Drew Tavss, and Robert Stransky and facilitator Paul Horn invite CEOs CFOs to attend this premier learning experience. The agenda and subject matter will be determined by the participants who will then be invited to engage each other in open and free flowing dialogue.

The CEO/CFO Conference is a peer-to-peer learning experience for area ESOP company executives. We invite you to join your colleagues for lively and informative discussion on current issues affecting your ESOP and business.

There are rooms available for those wishing to come in the night before the meeting. Each attendee is responsible for making their own reservations.

Information on the facility can be found at
www.wyndhamvirginiacrossings.com.

Contact Deb Tompkins midatlanticesop@comcast.net for more information and registration.



Mid-Atlantic Half Day Conference

Tuesday, April 13, 2010

9:30 AM to 1:30 PM

Doubletree Hotel

Charlottesville, VA

So You Think You Can ESOP?

Tango with the Tax Code
Waltz with the Words
Polka with the Plan



Tri-Chapter Regional Conference and Golf Tournament

"Getting Your ESOP On The Green"

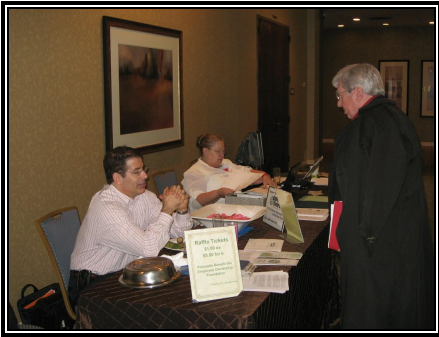
*Proudly presented by the Carolinas, Mid-Atlantic and New South
Chapters of the ESOP Association*



March 18 & 19, 2010

Pinehurst Resort, Pinehurst NC

For more information: midatlanticesop@comcast.net



This Old ("New") ESOP House

By Paul Horn

Charlottesville, VA, October 16... The Mid-Atlantic Chapter (MAC) of the Employee Stock Ownership Plan (ESOP) Association held its 16th annual conference at the Omni Shoreham titled *This Old ("New") ESOP House* with yet another year of record attendance.

Following breakfast, MAC President Keith Robertson greeted the group in his Bob the Builder outfit equipped with full tool belt. As a warm-up exercise, each table constructed its own ESOP "house" with the paper, toothpicks, paper clips, tape, and markers provided. We had some "green" houses as well as some quite eloquently expressed.

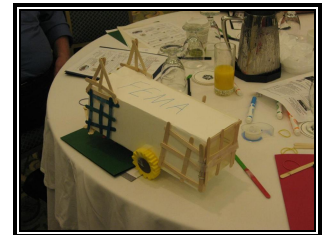
TEA Pres. Michael Keeling then spoke on Capital Hill issues and the work being done to shore up support with our elected ESOP friends. Then it was time for our excellent breakout sessions. Following the usual scrumptious buffet lunch, Paul Horn entertained the crowd with a picture filled U.S. history lesson of how ESOPs Can Save Capitalism.

After the afternoon sessions, it was time for the famous MAC version of the Employee Ownership Foundation (EOF) raffle. Prizes included a HDTV (that tape-measured 19 inches diagonally), some new DVD releases, various sponsor giveaways, and of course, many bottles of wine. Over \$500 was raised.

Thanks to all our great speakers and our Chapter Administrator Deb Tompkins for once again making our annual conference a smashing success. See everyone next year.



The group receives their building instructions and materials.



Creative juices flowed, creating everything from centipedes to airplane hangers to FEMA trailers.

Visit From Steve Sheppard

There is a program, of which many are not aware, offered by TEA and the Employee Ownership Foundation (EOF). TEA and EOF will underwrite the cost of sending Steve Sheppard, retired CEO of the Foldcraft Company, to your area in order to address various organizations such as Rotary Clubs, Chambers of Commerce, etc. The idea is to plant ESOP seeds in the minds of business owners and employees that are not currently part of an ESOP.

The Foldcraft Company in Kenyon, MN, is a 100% employee owned company which manufactures of all types of furniture and seating for the restaurant industry. Steve does a great job during these visits of spreading an enthusiastic word about employee ownership.

Recently, ComSonics in Harrisonburg, VA coordinated a visit from Steve, and he was able to address both the Harrisonburg and Rockingham County Rotary Clubs in one trip. Both audiences listened intently and Steve fielded many questions afterward.

If you were not aware of this resource from TEA, or were aware but haven't explored it, please contact them for details (202-293-2971). This is a great way to spread the ESOP word to business owners in your community.



Hot ESOP Issues in Cold Weather

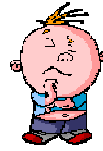
On January 26, Paul Horn, WorkPlace Consultants, LLC, and Michael Holzman, Morgan Lewis & Bockius, LLP, led a sizzling discussion of ESOP hot topics seldom seen elsewhere in this detail.

The topics at this Capital Region MAC lunch meeting included:

- Structuring (and restructuring) "inside" ESOP loans;
- Dealing with seller ESOP notes when company cash flow problems occur;
- Using a "simultaneous" exchange between seller/company/ESOP;
- Issuing stock warrants in ESOP deals;
- "Releveraging" your ESOP using the PTE for short-term loans;
- Deploying your ESOP to help you buy a non-ESOP company;
- Infusing private equity into an ESOP company; and
- The latest on account segregation.

The sold-out crowd provided great participation and discussion. We thank Tom Roback, Capital Region VP for organizing, and Ruth Wimer of Ernst & Young for their gracious hosting of our event.

Paul
Opines



By Paul Horn

Paul Horn, WorkPlace Consultants, LLC

As you know, an ESOP does not give participants direct ownership of any company stock.

- The stock allocated to participant accounts is held by the ESOP trustee and the ESOP trustee is the shareholder.
- No right to vote shares for the Board of Directors or to accept a stock purchase offer exists unless the company extends this right to participants via pass-thru voting.
- The stock is not transferable and its value only realized when the participant is eligible for an ESOP distribution.

So what do we really mean by employee ownership how can you make it real?

Ownership Has Multiple Meanings So You Must Define It Properly At Your Company.



Ownership is not a concept limited to ESOP companies. To create ownership superheroes involves a transformation whereby average workers go from Clark Kent to Superman. *How?* By assuming the requisite access to and control of key job elements like proper tools, training, communication, pay for performance, timely feedback, and objective goal measurement. These are the attributes of any good company but in an ESOP the payoff also flows to those holding company stock.

An ESOP is not really an incentive plan -- it's a retirement plan. ESOP shares provide a long-term rather than immediate benefit and the shares are awarded to all eligible employees based on compensation, not merit. Thus, an ESOP should be paired with a short-term incentive program to create an ownership dynamic duo.

Ownership certainly means different things at different ESOP companies. The important thing is to define your brand of ownership properly to avoid cognitive dissonance (a fancy word for creating unmet employee expectations.) It's like putting the right octane gas in your car. Using 93 octane for an economy car is inefficient and expensive just as using 87 octane for a luxury sedan will result in underperformance (engine knocking). Similarly, to push the ownership envelope at your company you must communicate rights and responsibilities to employees. They will get the message when they see they have skin in the game and have been empowered with the tools and information to reach agreed upon goals.

Paraphrasing our friendly neighborhood Spiderman, with empowerment comes great responsibility... **and the creation of employee-owner superheroes.**



Dr. ESOP

Dear Dr. ESOP:

We recently became a 100% ESOP and were told that we would now control our own destiny on accepting an offer to be bought in the future. One of my colleagues went to an ESOP Association conference and told me this is not exactly true. Who's right?

Perplexed in Poolesville

Dear Perplexed:

There is much to be perplexed about these days 6 trillion dollar budget deficits, rising medical costs, sinking home values, and not least: ESOP participant voting rights!

ESOPs do not a democracy make. In private ESOP companies, participant pass-through voting of the shares allocated to their ESOP accounts is required only for the following company matters:

- Merger or consolidation
- Recapitalization
- Reclassification
- Liquidation or dissolution
- Sale of substantially all assets

Importantly, this list does not include offers to buy ESOP stock. The employer may draft or amend the ESOP document to permit pass-through voting on a tender offer but it does not have to.

If the vote on the stock offer is not passed through to participants, all ESOP shares will be voted by the trustee, either independently or as directed by the plan administrator. The trustee and plan administrator are named fiduciaries and must act for the exclusive benefit of the plan when voting ESOP shares. Thus, if it is financially prudent for the ESOP to accept the tender offer, the fiduciary has an obligation to vote the ESOP shares in favor of the offer.

On the other hand, when pass-through voting on an asset sale, participants do not owe a fiduciary duty to anyone else and can vote against the sale for any reason they choose. The trustee must follow the participant voting directions unless the voting materials were unclear or the voting process was not confidential.

Hope that clears things up! Now let's get to work on that budget deficit.

Sincerely,

Dr. ESOP

Have a question for Dr. ESOP?
Submit it to the Chapter Office:
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Make your arrangements now!!!

The ESOP Association Annual Conference

May 12 & 13

Renaissance Hotel, Washington

Washington, D.C.

www.esopassociation.org

Welcome New MAC Members 2009-2010

CORPORATE MEMBERS

Brady Sweitzer, L. Fishman & Sons, *Baltimore, MD*
Kelly Phlegar, Williams Supply Inc., *Roanoke, VA*
Richard Maurer, Millenium Engineering & Integration Co., *Arlington, VA*
Dudley Olcott, Accurate Marine Environmental, Inc., *Portsmouth, VA*
John Heck, Spectrum Comm Inc., *Newport News, VA*
Todd Gardner, Glass and Metals, *Harrisonburg, VA*

PERSONAL MEMBER

Deborah Rolfe, Electronic Design & Manufacturing, *Lynchburg, VA*

PROFESSIONAL MEMBER

Steve Susel, Marshall & Stevens/ECSI,
Robert Webb III, Squires Sanders, Dempsey, LLP, *Vienna, VA*
Joel Codiamat, Blue Ridge ESOP Associates, *Hansen, VA*

AFFILIATE MEMBERS

LuAnn Dean, Professional Solutions, *Alexandria, VA*

Please let us know if we missed you.

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