

Q&A

This question and answer section is intended to provide answers to some of your most frequently asked questions. Watch for it in each issue and let us know if you have anything you'd like to contribute.



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Vice President

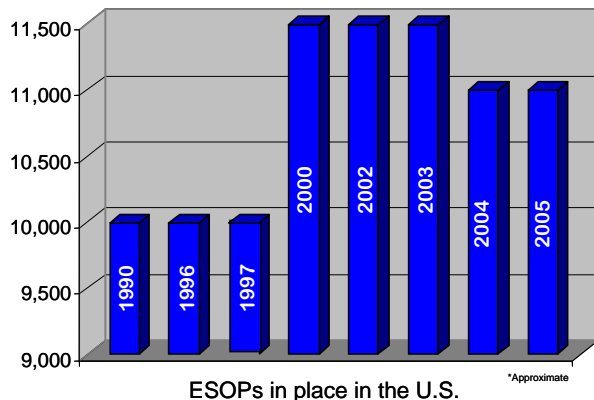
Q: Why does a fiduciary need to know how to read our annual valuation report? Isn't this why we hire the valuation experts at ESI?

A: ESI is retained as a valuation consultant because of the wealth of experience and valuation knowledge of its' team members. However, even though ESI makes a recommendation as to the value of the stock, the final decision actually rests in the hands of the fiduciary. Therefore, it's important that a fiduciary understand all aspects of the annual valuation report and the processes that are followed to obtain the final stock price.

“The difference between the impossible and the possible lies in a person’s determination.”

- Tommy Lasorda

Did you know?



There are approximately 11,000 ESOPs in place in the U.S. today, covering 10 million employees (10% of the private sector workforce).

Creating Trust at Work.

Adapted from Employee Ownership Report.

Employee-ownership companies have been in the forefront of creating company structures that work, based on the assumption that people can and must be trusted. Open-book management, for instance, is a powerful statement that now we trust you with the secrets of the palace. Self-managing teams, enhancing individual responsibilities, deconstructing hierarchies, and other employee involvement structures take another giant step. Training employees in business skills even if they have no management responsibility, sending line employees to conferences, having employees meet with customers, and other untraditional efforts also send a powerful message that “we trust you.” Consider some of the following examples:

Whole Foods employees are organized into teams at each store. Using open-book management, they set their own goals and their own rewards for meeting them, with the only caveat that they have to post them for everyone else to see. The result: employees usually set higher goals and lower rewards than if they were imposed on them.

Southwest Airlines and Publix Supermarkets tell employees that they can do just about anything that is legal to make an unhappy customer happy without management approval. There is no such thing as going overboard; indeed, exceptional efforts are celebrated.

Phelps County Bank sends all its employees, not just managers, to bank management training programs. The message: we trust you all to benefit from this because you're owners.

Full Sail Brewing has employees share jobs whenever possible. By doing other people's jobs, the work force not only becomes more flexible, but also learns to understand the needs and issues of other people in the plant.

MPD invited all employees to observe a board meeting - and rented a large auditorium to make it possible.

Teaching Business Effectively.

Adapted from Inc. Magazine.

Consider these unique ideas to teach employees to understand your company's finances.

Play "What If?"

David Short of Amherst Woodworking & Supply has a spiral-bound notebook for his employees that explains the company's bonus plan and finances. Half a dozen pages at the back ask questions such as "What if every operation in the shop took 5% longer?" and "What is the effect of working overtime to increase sales?" For each question, Short presents a simplified income statement showing exactly what would happen, including the effects on company profits and employee bonuses.

Hand Out a Few Bucks

Pat Kelly, CEO of PSS/World Medical, does a little routine he calls "On the Spot." He'll ask an employee a randomly chosen question from a book of 100 questions that every PSS branch has on the premises. A correct answer wins \$20. GT Development boosted interest in its business literacy program by developing a couple of contests, each with 10 true-false or multiple-choice business-related questions. (Sample: "A company's equity is another name for its (a) net worth; (b) combined value; (c) total assets.") Every contestant with nine right was eligible for a \$20 prize drawing.

Get People Laughing

When Basis International began sharing financial information with employees a few years ago, employees were invited to a kickoff meeting at a rental hall across the street. Inside the hall? CFO Joe Rose, dressed in a purple sorcerer's outfit, and a big *Wheel of Fortune*-style game board with a three-word blank. "I told them the costume was a hint and they could buy vowels for \$10," says Rose. "Since the winner got \$10, the best they could do was break even." Employees yelled out guesses (consonants only) and after a few minutes someone hit it: *Sorcerer of Numbers*. "That's when I said that I, as company CFO, was no longer the Sorcerer of Numbers because everybody's going to see the numbers. I took off the costume, threw it to the side, and said, 'OK, we're all in this together.'"

ESOPs are Good Business.

Adapted from The ESOP Association.

Results from the Employee Ownership Foundation's ESOP Economic Performance Survey show that being employee-owned means better company performance and greater wealth creation for employee owners.

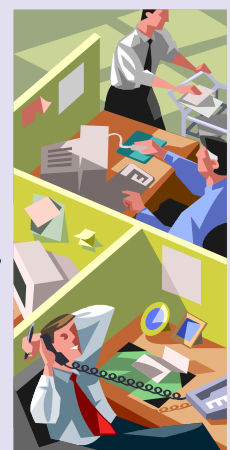
In 2006, 91% of respondents stated that creating ownership through an ESOP was "a good business decision that has helped the company." In the 15 years that the survey has been conducted, this is the highest response to this question. Plus, 72% of respondent companies said that they outperformed three major stock indices including the Dow Jones Industrial Average, the NASDAQ Composite, and the S&P 500.

According to J. Michael Keeling, President of The ESOP Association, "These numbers prove what we in the ESOP community have been saying for more than 15 years - employee ownership creates better companies. It's time for our national leaders to start promoting policies to encourage more companies to become employee owned through an ESOP."

The 2006 Economic Performance survey was distributed to The ESOP Association's approximately 1,400 members in June 2006. The results are based on 426 responses. The over 30% response rate validates the survey results for these 1,400 companies.

Other Survey Results

- 60% of respondents stated that the ESOP improved the overall productivity of the company's employees.
- 54% of companies said "yes" when they were asked if their organization had created an employee participation program since establishing the ESOP.



Source: Information obtained from the 2006 Economic Performance Survey conducted by the Employee Ownership Foundation.