

## We Get Around!

Nicola Jordan

ESI enjoys staying involved with the local and national ESOP community through participation in fundraisers, lecture series, trade shows, and conferences. We have had the pleasure of taking part in a number of events so far this year; most recently, one of our team members was a featured presenter at a regional conference, while another presented to an international audience.



Craig D. Olinger, CVA  
Principal

On September 12, ESI Principal Craig Olinger presented at The ESOP Association Midwest Conference in Milwaukee, WI. His presentation “Going 100% ESOP? An Overview of the Issues” gave an explanation of what happens when a company becomes 100% ESOP-owned, including issues such as administrative changes, corporate governance, valuation, deferred compensation, external and internal notes, allocation of shares, etc. The Midwest Conference was presented by the Wisconsin, Illinois, Iowa-Nebraska, and Minnesota-Dakotas chapters of The ESOP Association (TEA).

ESI President and founder Scott Miller was featured in a Pre-Conference Guru Session at the Exit Planning Institute’s Annual International Conference on September 17 in Cleveland, OH. His presentation “Transaction Valuations Demystified” explored and reconciled three major valuation theories: the traditional and well documented capital market theory of valuation, the investment banking approach with an emphasis on market derived indices of value, and the reference rate theory (also referred to as “rule of thumb”). The Exit Planning Institute is an association of exit planning experts. ■



Scott D. Miller,  
CPA/CVA, ABV, CEPA,  
President

**“Individual commitment to a group effort – that is what makes a team work, a company work, a society work, a civilization work.”**

~Vince Lombardi

## Visit us in Vegas

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Come and meet key members of the ESI team at The ESOP Association 2013 Las Vegas Conference & Trade Show, which will take place at Caesars Palace on November 7 & 8. Stop and see us at booth number 205—we will be available to answer questions, provide additional information about our services, or just to say “hi.”



If you plan on attending, be sure to catch Scott’s presentation “The Fiduciary Role in Major Corporate Events.” He will be speaking at 10:30 am on November 8, and will cover important issues regarding the role of ESOP fiduciaries in connection with acquisitions of other companies, stock purchases and sales, redemptions, repurchase loans, and other events which directly or indirectly affect the ESOP’s investment in employer stock. He will also discuss the role of the board, trustee, and committee in connection with the design and issuance of warrants and equity-based compensation.

You can register for the conference at TEA’s website: [www.esopassociation.org](http://www.esopassociation.org). You will have the option of registering by mail or online. The fee to attend is \$670 per TEA member and \$975 per nonmember. We look forward to seeing you there!

### Wait! There’s an App for that.

TEA has launched a great app for anyone attending the Vegas Conference in November. The app keeps you up to date with real-time communications from the show organizer, includes an RSS feed of industry news, allows you to quickly add speakers to your personalized event schedule, lets you rate sessions, helps you connect with friends and colleagues, and allows you to share your show experience through community photos.



For any Apple mobile device or Android phone, search “ESOP 2013” in the App Store or Android Market and download as usual. For all other phone types, visit: <http://m.core-apps.com/esopac2013> ■

## Employee Ownership in Education

Nicola Jordan



As more people become interested in employee ownership, education on the topic has been increasing. The University of Oxford is now offering an online course titled “Employee Ownership for the 21st Century.” The course description states that the 10-week course “analyzes how alternative corporate forms can relate to the emergence of the knowledge economy and employee creativity.” The course delves into various forms of employee ownership in Europe and America, and includes case studies involving partially and wholly employee-owned companies from all over the world.

Another educational opportunity is at the Rady UC–San Diego School of Management. The school’s “Employee Ownership Management” course is a short, in-person program that focuses on: legal and regulatory challenges, employee ownership in marketing and financial management, and practical application of the principles of employee ownership in the day-to-day operations of the business.

With employee ownership gaining popularity worldwide, more employee-ownership courses for business owners, entrepreneurs, managers, and business students will likely be introduced. ■

## Support S. 273 and H.R. 2041

Sources: The ESOP Association and [www.aicpa.org](http://www.aicpa.org)

In a prior newsletter, we informed you that Senator Ayotte (R-NH) had introduced S. 273 to the Senate in February. So far, S. 273 has not moved past committee. In May, H.R. 2041, S. 273’s companion bill, was introduced in the House by Congresspersons Guthrie (R-KY), Loeb sack (D-IA), and Jenkins (R-KS). This bill is also stuck in committee.

Both bills modify the definition of fiduciary under the Employee Retirement Income Security Act of 1974 to exclude appraisers of ESOPs, and they were introduced in response to the DOL’s proposed anti-ESOP legislation mandating that all private ESOP company appraisers be ERISA fiduciaries.

ESOP businesses and concerned legislators are not the only ones taking action; in July, the AICPA endorsed both bills in a letter to Congress, and has made sample letters available to the public on their website. Please contact your representatives and ask them to support these two pro-ESOP bills. If you would like a sample letter, please visit: [www.aicpa.org](http://www.aicpa.org) ■

## ESOP Companies Report Economic Growth for 2012

Adapted from an ESOP Association Press Release

The ESOP Association (through its affiliated, nonprofit organization, The Employee Ownership Foundation) performs an annual survey of Association members to ascertain economic performance. This year marks the 22nd year the survey has been completed. The June 2013 survey asked questions pertaining to the previous year, and the results were released in September.



For 2012, the average age of the ESOP plans was 16 years. Outside valuation of stock price increased for 83% of companies, up from 80% last year. Meanwhile, 77% of respondents reported that the ESOP positively affected the productivity of employees. 64% of companies have created an ESOP education program or ESOP advisory committee since establishing an ESOP. Numbers for profitability and revenues are both up from last year, with 70% reporting increased profitability, and 78% indicating increased revenue.

Since the survey began 22 years ago, 94% of respondents have indicated that creating employee ownership through an ESOP was “a good business decision that has helped the company.” Employee Ownership Foundation President, J. Michael Keeling stated that “employees with employee stock ownership, including ESOPs, in general, have more sustainable employment.” ■

## ESOPs Outperform 401(k) Plans

Adapted from: NCEO Employee Ownership Report

The DOL recently released information on retirement plans with 100 or more participants that shows ESOPs averaging a 6.9% rate of return compared to 5.8% for 401(k)s. The years in review were 1996-2010. Leveraged ESOPs had the highest average rate of return, at 7.8%, but nonleveraged plans also outperformed 401(k)s, at an average rate of 6.6%.

Out of the 20 years from 1991-2010, ESOPs fared better than 401(k) plans in 15 years and underperformed them in just four, with the two types of plans averaging the same rate for one year.

Also, the standard deviation, which is a measure of riskiness of an investment, was slightly lower on ESOPs (12%) than on 401(k) plans (12.3%) in the period between 1996 and 2010. ■