

ESOP
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ESOP Survey





2015 ESOP Company Survey “Benchmarking ESOP Companies”

INTRODUCTION

The ESOP Association is pleased to publish the results of the 2015 ESOP Company Survey conducted by The ESOP Association and the Employee Ownership Foundation, the 501(c)(3) educational and research affiliate of the Association.

The Employee Ownership Foundation is supported by voluntary contributions. Since 1997, the Foundation has undertaken many projects in order to expand the understanding of ESOPs among the American public and academia, and to help existing ESOP companies operate more efficiently in order to benefit the company and ESOP participants.

Founded in 1978, The ESOP Association is the national trade association that represents nearly 1,600 ESOP companies and 750,000 employee owners who believe that employee ownership will improve American competitiveness and strengthen our free enterprise system.

The ESOP Association proudly serves as the number one advocacy group in the United States for employee ownership. With assistance from members, the Association lobbies Congress to create and preserve a favorable legislative environment for ESOP growth.

Throughout the year, The ESOP Association sponsors Chapter events along with national seminars and conferences. The two most notable among the Association’s meetings portfolio are the Annual Conference that brings together companies, practitioners, and public officials in the ESOP community, and the ESOP Las Vegas Conference & Trade Show which is the largest gathering of ESOP advocates in the world. In 2015, The ESOP Association and its Chapters had over 11,000 attendees take advantage of ESOP conference and seminars.

Members are encouraged to contact the Association with questions at (202) 293-2971 or by email at esop@esopassociation.org.

Methodology

This publication represents the results of a February 2015 survey conducted by The ESOP Association and the Employee Ownership Foundation among the corporate members of the Association.

Approximately 1,600 surveys were emailed to ESOP Association members and 354 completed responses were received.

Similar surveys were conducted in 1989, 2000, 2005, 2010, and 2015. Those results have been loosely provided as a basis for comparison. As five years have passed since the previous survey was conducted, the results in some cases are drastically different. In other cases, it is quite interesting to note that certain trends among ESOP companies have not necessarily changed with the passage of time.

The results of the 2015 survey are far from perfect, and it would not be prudent to make generalizations about all ESOP companies based solely on this small sample. The margins for error in a survey of this size are significant. Regardless, when viewed appropriately, and in context, the results reveal a great deal about the operation of ESOPs in the United States, and consequently, are of value to decision makers in business and government.

In some instances, respondents had the opportunity to indicate more than one answer for a question; therefore, totals may not equal 100%.

All in all, however, with the above caveats, the results of the 2015 Survey are the best criterion an ESOP company can use to benchmark how the company compares to other ESOP companies in all areas of ESOP operations and management.

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SECTION 1

What Kind of Company has an ESOP?

Company Type

When this survey was conducted in 2005, 60% of the respondents reported being an S corporation; in 2010, the figure rose to 72.6% — a 12.6% increase.

Currently, ESOP Association membership statistics show that 70% of members are S corporations and for the last 15 years, the number of S corporation members has been rising. While the figures may look surprising to some, the figure does mirror national business figures that show that S corporations are the most popular corporate structure in place in the United States. With this in mind, there should be no surprise that in the 2015 survey, over 80% of companies responding to this survey reported being an S corporation.

Respondents that identified their companies as S corporations were asked --- if currently an S corporation, was your company a C corporation when the ESOP was created? 61.1% stated that the company was a C corporation at the time the ESOP was created; 38.9% reported the company started out as an S and has remained S.

S corporations were also asked if they were 100% ESOPs: 75.5% stated yes, 24.5% reported no.

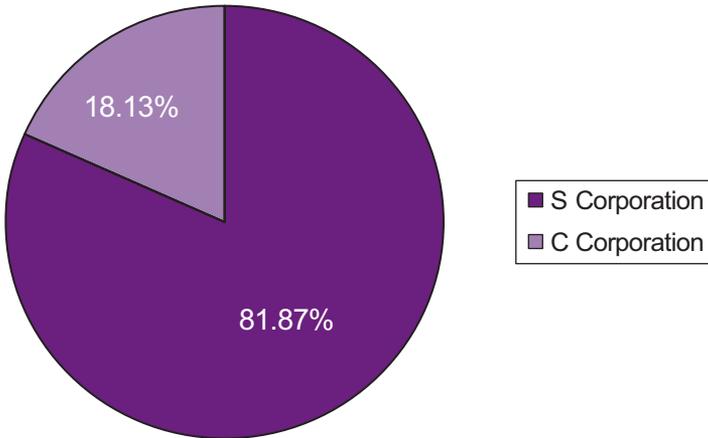
S corporations differ from C corporations in several ways:

- S corporations are not liable for corporate level tax. Instead, tax liability is passed on to the shareholders
- C corporations are taxed as “persons” under the Internal Revenue Code at special, corporate tax rates.

It is only since 1998 that S corporations have been permitted under the Internal Revenue Code to sponsor ESOPs, and since then, there has been remarkable growth among S corporation ESOPs, as these figures show.

	All Responses
S Corporations	81.87%
C Corporations	18.13%

S corporation vs. C corporation



ESOP Company Size

ESOPs exist in both small and large businesses and the results of the 2015 survey demonstrate the broad range of companies in terms of size. In 2010, 72% of companies surveyed reported having fewer than 249 employees, while 28% reported having more than 250 employees. In 2015, companies responding to the survey reported having 380 employees on average, a 23.8% increase from the 2010 survey.

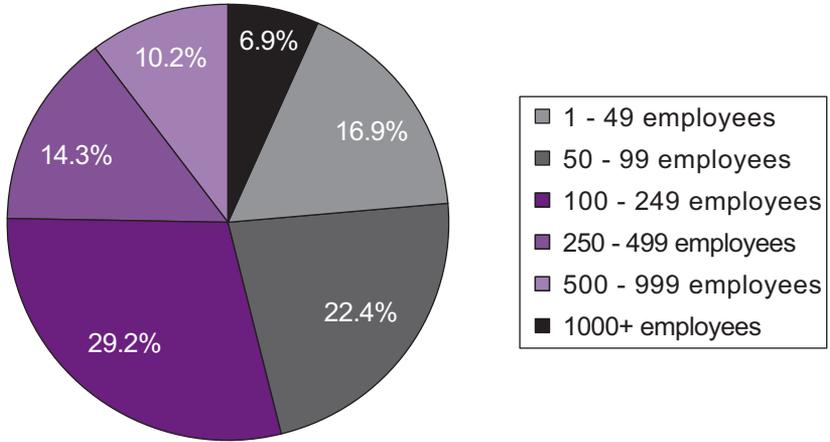
The number of employees indicated in the chart below includes full-time employees of responding companies. Not all employees participate in the ESOP.

Averages to note regarding company size: The average number of full-time employees (for all respondents) currently working for the company was reported at 380 persons. This number includes both ESOP participants and non-participants. When asked specifically about the number of participants in the ESOP, the average was 347 persons.

For S corporation responses, the average number of full-time employees was 412; participants in the ESOP was reported at 361. For C corporations, the average number of full-time employees was reported at 235; participants in the ESOP was reported at 286. (Some respondents may have included former employees in these counts.)

	All Responses	S Corporations	C Corporations
1 – 49 employees	16.9%	15.3%	24.2%
50 – 99 employees	22.4%	20.6%	30.6%
100 – 249 employees	29.2%	29.9%	25.8%
250 – 499 employees	14.3%	15.7%	8.1%
500 – 999 employees	10.2%	11%	6.5%
1000+ employees	6.9%	7.5%	4.8%

ESOP Company Size



Line of Business

The 2000, 2005, and 2010 surveys showed a similar trend in the line of business question — manufacturing was the prevalent line of business by far. In 2015, manufacturing was still top of the list as the most prevalent at 23.4% and followed closely by construction (15.3%) and engineering services (10.9%).

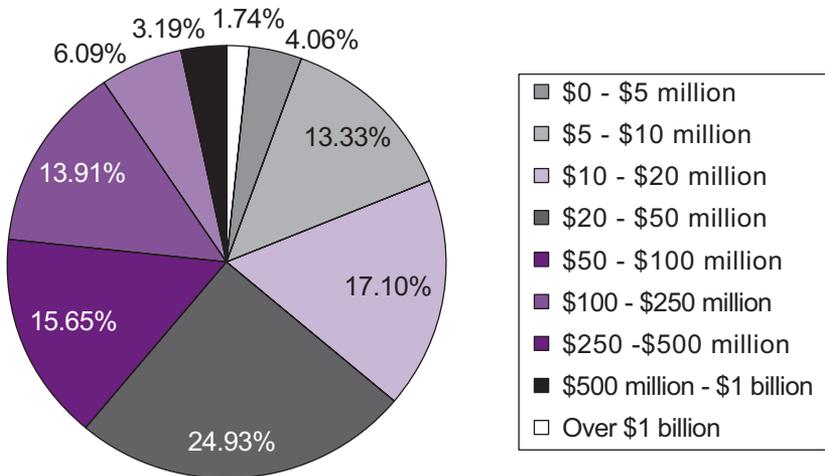
Industry	All Responses	S Corporations	C Corporations
Accounting Services	.31%	.4%	0%
Agricultural Services	.94%	.8%	1.7%
Architectural Services	1.56%	.8%	5.2%
Banking	2.81%	2.7%	3.4%
Communications/Advertising	1.88%	2.3%	0%
Consulting Services	3.44%	2.3%	8.6%
Construction	15.31%	16.8%	8.6%
Distributing	5.94%	6.9%	1.7%
Education	0%	0%	0%
Engineering Services	10.94%	9.2%	19.0%
Environmental Services	2.19%	2.7%	0%
Financial Services	1.56%	.8%	5.2%
Food/Beverage/Hospitality	.94%	.4%	3.4%
Government Contracting	1.56%	1.5%	1.7%
Health Services	3.13%	3.8%	0%
Insurance Services	4.69%	3.4%	10.3%
IT Services	1.56%	1.9%	0%
Manufacturing	23.44%	24.0%	20.7%
Mining	0%	0%	0%
Professional Services	2.19%	2.7%	0%
Real Estate Services	0%	0%	0%
Retail	4.06%	5%	0%
Sales	1.56%	1.1%	3.4%
Software Engineering/Services	.94%	1.1%	0%
Transportation	1.88%	2.3%	0%
Utilities Services	.31%	.4%	0%
Waste Management Services	.31%	.4%	0%
Wholesale	6.56%	6.5%	6.9%
Other	13.4%	14.1%	10.3%

Annual Sales Revenue

In 2015, 24.93% survey respondents had annual sales in the \$20 - \$50 million range, on par with the 2010 survey which showed this as the largest category as well.

	\$0-5 million	\$5-10 million	\$10-20 million	\$20-50 million	\$50 - 100 million	\$100 - 250 million	\$250 - 500 million	\$500 million - \$1 billion	Over \$1 billion
All Responses	4.06%	13.33%	17.10%	24.93%	15.65%	13.91%	6.09%	3.19%	1.74%
S Corporations	3.5%	11.7%	15.5%	25.1%	17.0%	15.2%	6.4%	3.9%	1.8%
C Corporations	6.5%	21.0%	24.2%	24.2%	9.7%	8.1%	4.8%	0%	1.6%

Average Annual Revenue



Unions in ESOPs

Although unions are sometimes involved in employee buyouts, ESOP are more likely to be found in companies that are not union represented. An overwhelming 88.2% of ESOP companies responding to this survey reported that they had no unionized employees, which is 3% higher than in 2010 which was 85.3%.

Of the unionized ESOPs responding to this survey, only 21.95% allowed union members to participate in the ESOP. While this might seem high, the figure is actually deceptive. Of the 347 respondents that answered this question, only 41 said yes, employees are union represented. Of those 41, only 9 said the union members are included as participants in the ESOP.

	All Responses	Union Participates in ESOP	Union Does Not Participate in ESOP
Yes, we have a union	11.82%	21.95%	78.05%
No, we do not have a union	88.18%	N/A	N/A

	S Corporation Responses Only	Union Participates in ESOP	Union Does Not Participate in ESOP
Yes, we have a union	14.04%	22.05%	77.50%
No, we do not have a union	85.96%	N/A	N/A

	C Corporation Responses Only	Union Participates in ESOP	Union Does Not Participate in ESOP
Yes, we have a union	1.61%	0%	100%
No, we do not have a union	98.39%	N/A	N/A

SECTION 2

What Leads a Company to Start an ESOP?

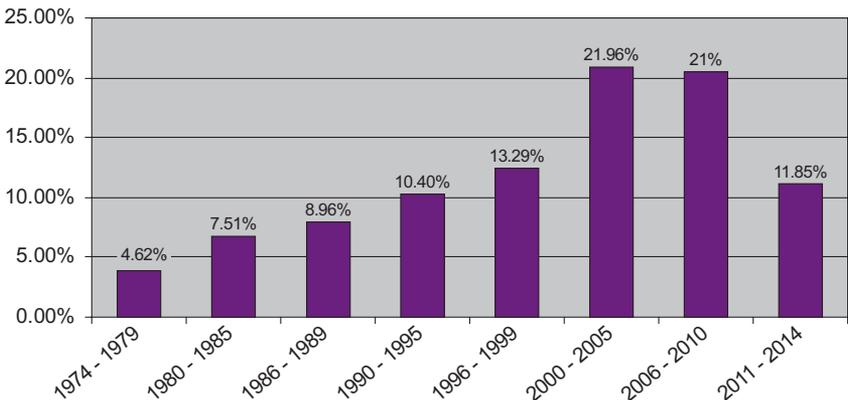
Year Established

The greatest period for ESOP establishment among survey respondents in 2015 was the period of 2000 – 2005.

For the 2015 survey, the average age of the ESOP was 16 years with the average year being 1999 for establishment.

Year Established	Number of ESOPs established in particular timeframe	Percentage of total
1974 - 1979	16	4.62%
1980 - 1985	26	7.51%
1986 - 1989	31	8.96%
1990 - 1995	36	10.40%
1996 - 1999	46	13.29%
2000 - 2005	76	21.96%
2006 - 2010	74	21.39%
2011 - 2014	41	11.85%

Year Established



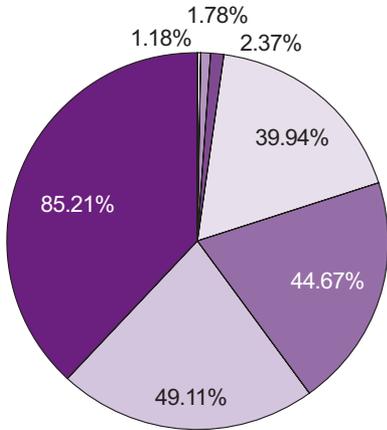
Reasons for Establishing an ESOP

The three most popular responses to the question: When the ESOP was established, the major reasons for the decision were: 1.) buyout of current owner(s), exit strategy for former/ current owner(s), employee buyout (85.21%); 2.) to provide additional employee benefit (49.11%); and 3.) tax advantages/benefits (44.67%).

ESOPs are sometimes criticized for the role some play in facilitating employee buyouts of troubled companies. The companies responding to the particular survey indicated overwhelmingly positive reasons for starting the ESOP, largely reasons that directly benefit employees.

	All Responses	S Corporations	C Corporations
Buyout of current owner(s), exit strategy for former/current owner(s), employee buyout	85.21%	81.92%	81.97%
To obtain low cost financing	2.37%	3.28%	3.28%
Tax advantages/benefits	44.67%	42.60%	54.10%
To facilitate divestiture of part of larger corporation	1.78%	2.17%	0%
To provide additional employee benefits	49.11%	48.01%	54.10%
Attraction of employee ownership concept	39.94%	39.35%	42.62%
Employee buyout during difficult economic situation	1.18%	1.44%	0%

Reasons for Establishing an ESOP



- Buy out of current owner(s), exit strategy for former/current owner(s), employee buyout
- To obtain low cost financing
- Tax advantages/benefits
- To facilitate divestiture of part of larger corporation
- To provide additional employee benefits
- Attraction of employee ownership concept
- Employee buyout during difficult economic situation

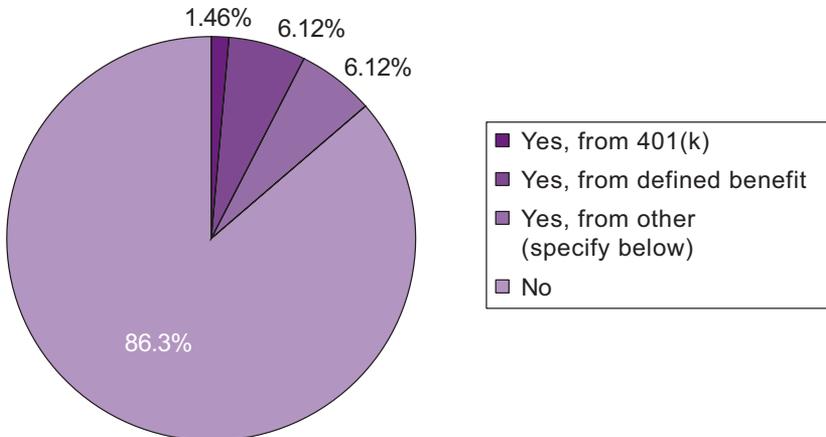
Conversions from Other Plans

ESOPs may be established in whole or in part by a conversion from an existing employee benefit plan. The results of the 2010 survey showed that only 29.5% of ESOPs were established as a result of a conversion from an existing benefit plan. The 2010 number was a decline from the 2005 survey which showed 32% of plans were established in this manner.

The 2015 survey, in keeping with the results from both the 2010 and 2005 surveys, indicates that conversions are uncommon among ESOPs — 86.3% of respondents answered no to the question: Was your ESOP established as a conversation from another ERISA plan, such as a 401(k) plan or a defined benefit pension plan?

	All Responses	S Corporations	C Corporations
Yes, from 401(K)	1.46%	1.78%	0%
Yes, from defined benefit	6.12%	6.05%	6.45%
Yes, from other	6.12%	6.05%	6.45%
No	86.3%	86.12%	87.10%

Conversions from Other Plans



Importance of ESOP Tax Incentives

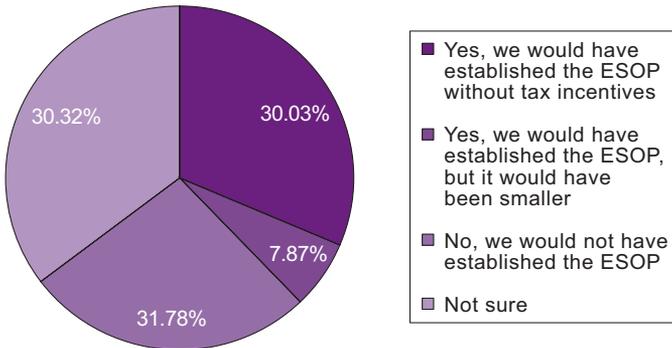
ESOP tax incentives have long been an important factor in the establishment of ESOPs. However, tax incentives are clearly not the driving force behind companies' decisions to implement ESOPs.

In 2015, 31.78% of companies surveyed said they would not have established the ESOP without the availability of ESOP tax incentives. For comparison: 2010, 27%; 2005, 32%; and 2000, 36%.

30.03% agreed that an ESOP would have been implemented even without the tax incentives. In 2010, the figure was 31.3%.

	All Responses	S Corporations	C Corporations
Yes, we would have established the ESOP without tax incentives	30.03%	30.25%	29.03%
Yes, we would have established the ESOP, but it would have been smaller	7.87%	8.54%	4.84%
No, we would not have established the ESOP	31.78%	32.03%	30.65%
Not sure	30.32%	29.18%	35.48%

ESOP Tax Incentives



SECTION 3

What are the Details of the Companies' ESOPs?

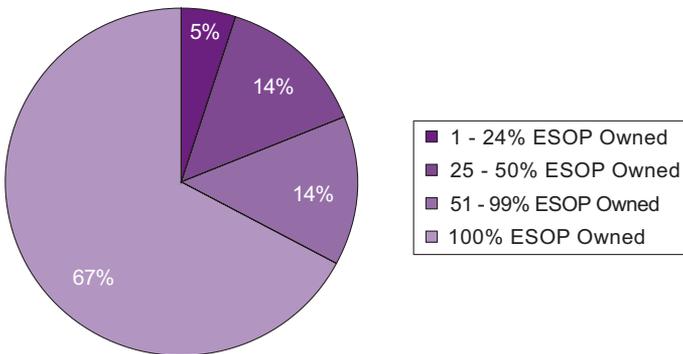
Percent of ESOP Ownership

ESOPs owning more than 50% of the stock of the sponsoring employer have been steadily growing. In 2010, the average percentage of company stock currently held by the ESOP was 77%; in 2005 it was 68%.

In 2015, the average percentage of company stock held by the ESOP is 83.38%.

	Percent
All Responses	83.38%
S Corporations	89.92%
C Corporations	47.75%

Percent of ESOP Ownership



Pass Through Voting Rights

Closely-held companies are required by law to pass through shareholder voting rights only on certain issues. Publicly-traded companies, however, are required to pass through full voting rights in all shareholder issues.

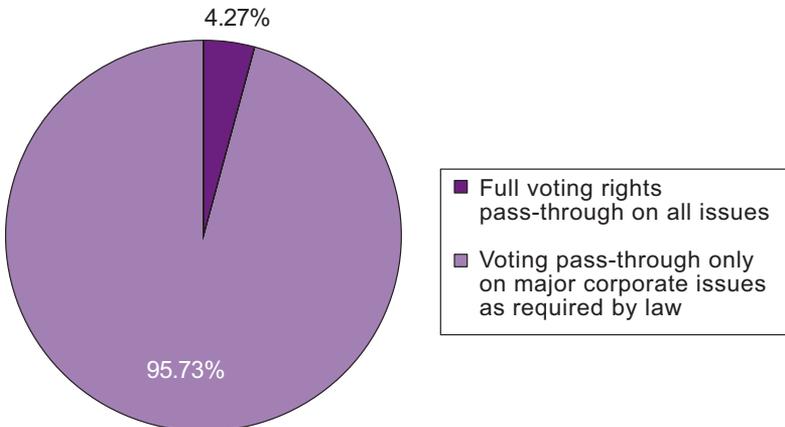
Survey respondents were asked a single question relevant to this issue: What is your company’s policy on voting rights for participants?

95.73% of responding companies stated they pass through voting rights only on major corporate issues as required by law, only 4.27% of companies utilized a full voting pass through on all issues.

The numbers were very similar for respondents when broken down by S and C corporations as well.

	Full voting rights pass through on all issues	Voting pass through only on major corporate issues as required by law
All Responses	4.27%	95.73%
S Corporations	4.48%	95.52%
C Corporations	3.33%	96.67%

Voting Rights for ESOP Participants



ESOP Leveraging

The percentage of companies that have leveraged their ESOPs has remained stable since the 2010 survey. In 2015, 48.4% of respondents indicated that the ESOP is currently leveraged; 51.6% stated that the ESOP is not now leveraged.

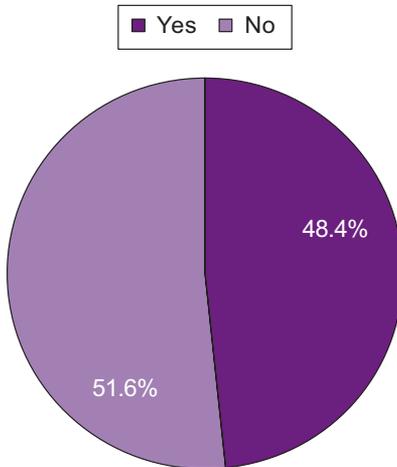
For comparison: in 2010, 48.1%; 2005, 56%; and in 2000, 86%.

That this number has remained fairly steady may be due to the fact that the average age of the respondents' ESOP is 16 years and the ESOP loan has been paid for those that responded to the survey.

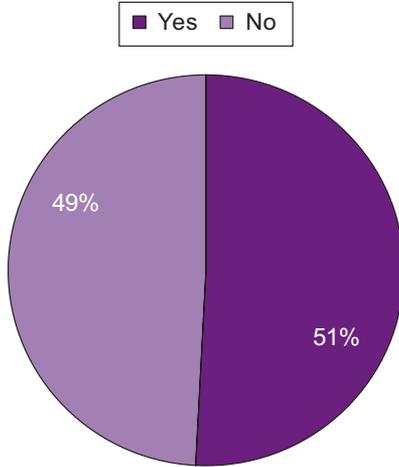
The average term of the leverage among the presently leveraged ESOP companies that responded to this survey is 14.7 years, up slightly from the 2010 survey which noted the average term at 11.5 years.

In answer to the question: not now leveraged, has your ESOP ever been leveraged? 75.37% responded yes, and 24.63% responded no.

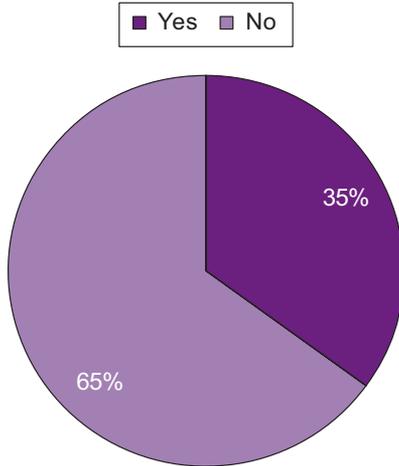
All Responses — ESOP Leveraged



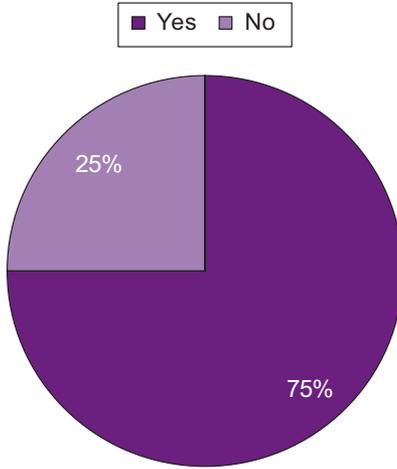
S Corporation Responses — ESOP Leveraged



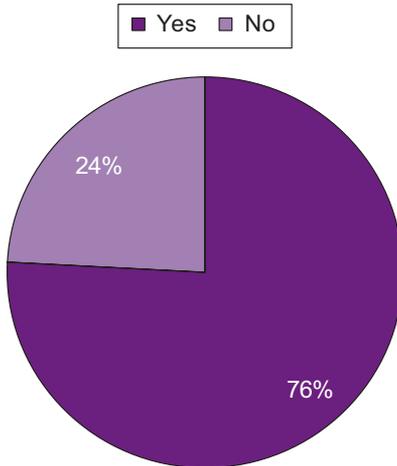
C Corporations — ESOP Leveraged



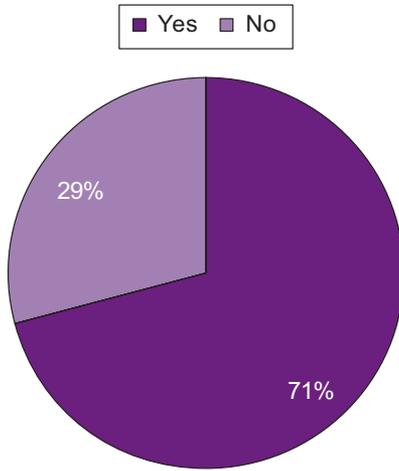
All Responses — If not now leveraged, has ESOP ever been leveraged?



S Corporation Responses — If not now leveraged, has ESOP ever been leveraged?



C Corporation Responses — If not now leveraged, has ESOP ever been leveraged?



Average Annual Contributions

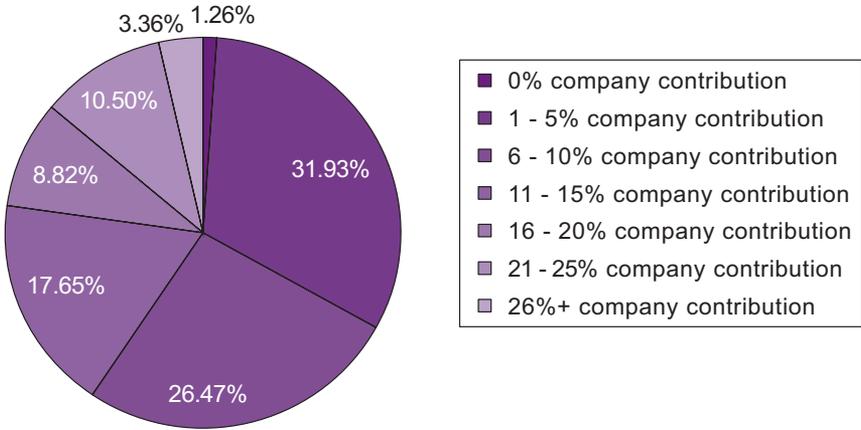
The size of a company's annual contribution to its ESOP has been found to be a key factor in determining the extent to which ESOPs are believed to have a positive impact on employee owners' attitudes toward their work.

In 2010, on average, companies contributed 12.7% annually to the ESOP; in 2005, the average was 13%.

In 2015, on average, companies contributed 11.8% annually to the ESOP. These contribution numbers indicate that a majority of ESOPs are making significant contributions to employee owners' accounts.

	All Responses	C Corporations < 250 Employees	C Corporations > 250 Employees	S Corporations < 250 Employees	S Corporations > 250 Employees
0% company contribution	1.26%	3.70%	0%	1.53%	0%
1 – 5% company contribution	31.93%	44.44%	72.72%	27.48%	28.99%
6 – 10% company contribution	26.47%	18.52%	0%	30.53%	26.09%
11 – 15% company contribution	17.65%	33.33%	9.09%	18.32%	18.84%
16 – 20% company contribution	8.82%	11.11%	9.09%	6.87%	11.59%
21 – 25% company contribution	10.50%	3.70%	9.09%	12.21%	10.14%
26% + company contribution	3.36%	3.70%	0%	3.05%	4.35%

Annual Contribution



Percent of ESOP Invested in Company Stock

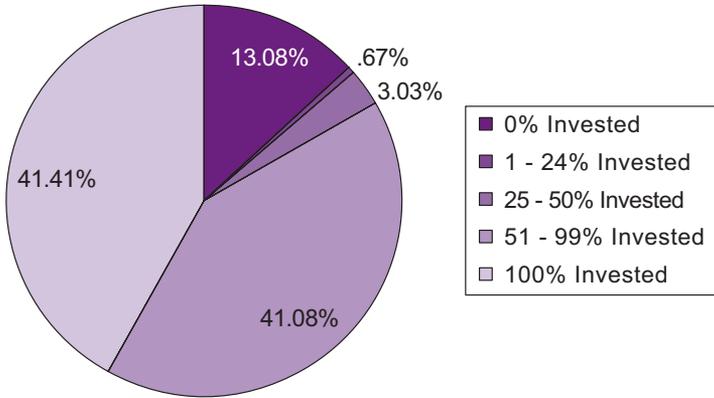
Since by law ESOPs must be primarily invested in employer stock on an ongoing basis, it may seem surprising to see some plans that are less than 50% invested in company stock. Plans typically drop below 50% for short periods of time during their life cycles. In some cases, this occurs when older plans are distributing stock to existing participants and contributions in cash enable the ESOP to purchase shares that maybe be tendered to the plan instead of the company itself. Note again that S corporation ESOPs owning less than 100% of the company are receiving cash dividends from the company that are held in the plan.

In 2015, survey results show that 41.08% of Association members invest over 50% of their ESOP fund in company stock and the percentage that invest 100% is 41.41%. The average amount of stock invested in the ESOP for all respondents was 77.64%.

For comparison, the 2010 survey results showed that 86% of Association members invested 50% or more of their ESOP funds in company stock and the percentage that invest 100% in company stock was 42%. In 2005, the number that invested 50% or more was 65% and the number that invested 100% was 39%.

	All Responses	C Corporations < 250 Employees	C Corporations > 250 Employees	S Corporations < 250 Employees	S Corporations > 250 Employees
0% invested	13.08%	0%	9.09%	12.5%	11.69%
1 – 24% invested	.67%	3.45%	9.09%	0%	0%
25 – 50% invested	3.03%	0%	9.09%	4.61%	0%
51 – 99% invested	41.08%	37.93%	45.45%	40.79%	44.16%
100% invested	41.41%	58.62%	27.27%	42.11%	44.16%

Percent Invested in Company Stock



Multiple ESOPs

Companies were asked whether or not their company sponsors more than one ESOP. In 2015, the response was a unanimous no.

This number is not at all surprising as the response to this question in the 2010 was 99.3% for no as well.

SECTION 4

Meeting ERISA Requirements

ESOP Trustees and Administrators

An ESOP trustee is responsible for managing the assets of the ESOP in the best interests of the participants. He or she may be an officer of the sponsoring company or a qualified outside entity.

In the 2015 Survey, participants were asked: “In the plan document, who is the trustee of your ESOP?” As indicated in the chart below, an overwhelming 54.36% of the responding companies, company personnel who served as trustee, with 45.64% noting non-company persons, such as bank, trustee company, or individual(s) that are not company personnel. This is very similar to the 2010 survey in which 57.2% of the respondents stated an officer of the company.

	All Responses	S Corporations	C Corporations
Company personnel	54.36%	49.56%	75.81%
Non-company persons, such as bank, trustee company, or individual(s) that are not company personnel	45.64%	50.35%	24.19%

Respondents were asked an additional question about the trustee: Is the trustee a directed trustee? (*Trustee votes ESOP shares per direction of persons given authority to direct share votes by trustee in ESOP plan document.*) Of the respondents, 53.25% stated they have a directed trustee, 46.75% did not.

	All Responses	S Corporations	C Corporations
Directed trustee	53.25%	54.87%	45.90%
No directed trustee	46.75%	45.13%	54.10%

Respondents were also asked if an outside firm is responsible for the administration of the ESOP or if it is handled in-house by company personnel. 68.02% noted that the company uses as outside firm.

	All Responses	S Corporations	C Corporations
Company personnel	31.98%	30.50%	38.71%
Outside firm	68.02%	69.50%	61.29%

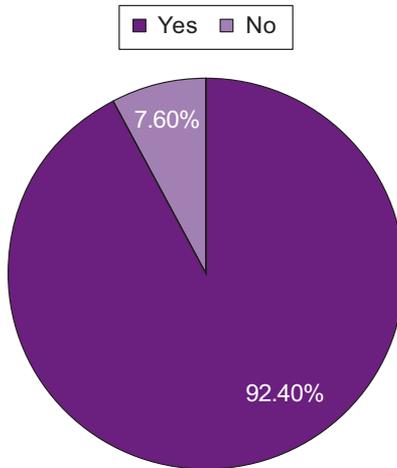
Fiduciary Liability Insurance

ESOP trustees and other ESOP fiduciaries are obligated by law to act exclusively in the best interest of plan participants, and may be personally liable for damages and losses in the event of a judgement against them in a suit brought by plan participants who disagree with the trustees' actions. ESOP trustees and other fiduciaries typically seek fiduciary liability insurance and frequently have trouble obtaining it, since the pool of ESOP companies is relatively small and information on the extent of the risks insured is limited.

In 2015, 92.40% of respondents indicated that they have fiduciary liability insurance while 7.60% did not. For comparison: in 2010, 91% said yes they had insurance; in 2005, 84% said yes; and in 2000, 69% said yes.

	All Responses	S Corporations	C Corporations
Yes, have fiduciary liability insurance	92.40%	93.93%	85.48%
No, do not have fiduciary liability insurance	7.60%	6.07%	14.52%

Fiduciary Liability Insurance



Vesting Schedules

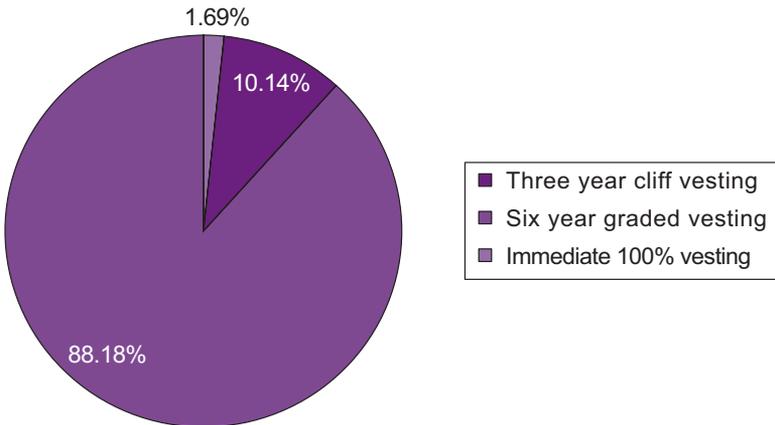
Current law sanctions a 3-year cliff vesting (no vesting at all until employee owners participate in the plan for years, and then 100% vesting), or a 6-year graded vesting, or some other more generous vesting schedule.

In 2015, 10.14% of respondents stated they used 3-year vesting, 88.18% indicated 6-year graded vesting, and 1.69% said immediate 100% vesting.

For comparison, in 2010, 11% noted 3-year vesting, 68% indicated 6-year vesting, and 2.6% stated 100% immediate vesting.

	All Responses	S Corporations	C Corporations
Three year cliff vesting	88.18%	86.25%	96.43%
Six year graded vesting	10.14%	11.67%	3.57%
Immediate 100% vesting	1.69%	2.08%	0%

Vesting Schedule



Provisions of Departure

Employees of closely-held companies who receive a distribution from their employer nearly always receive stock immediately, or after a period of time, the value of the employer securities in cash. The obligation of ESOP companies to repurchase stock from departing participants requires planning to ensure that the employer or trust will have sufficient cash available when needed. There are various planning devices available for deferring, but at some point, cash must be available to purchase the stock.

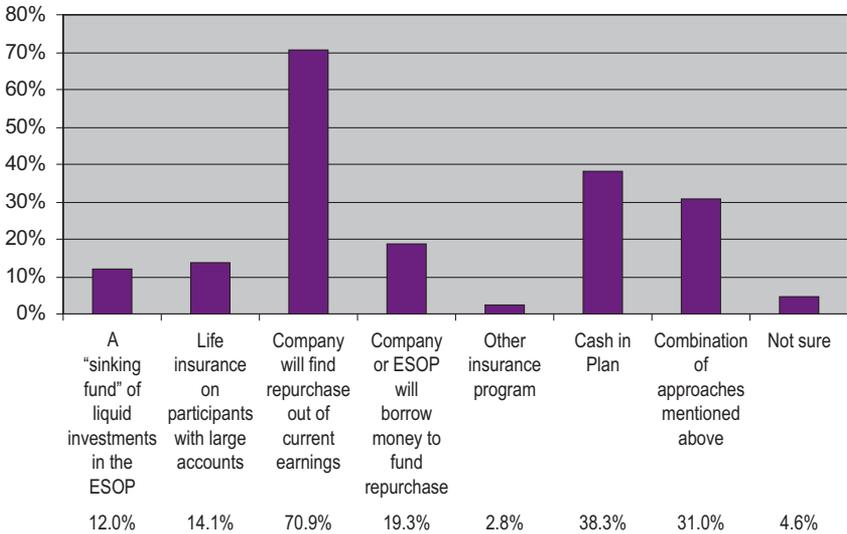
In 2015, 70.86% of survey respondents noted that the company plans to fund repurchase out of current earnings. This is a large increase from 2010 when 35% that the company planned to fund repurchase out of current earnings. In 2015, 38.34% stated the company would use cash in the plan to fund repurchase obligation and 30.98% said the company would use a combination of approaches.

Of note, the companies that were not sure which approach they would use was relatively low, 4.6%. Education programs about how to finance repurchase obligation have been heeded. Companies responding to the survey have clearly taken steps to handle repurchase obligations.

	All Responses	S Corporations	C Corporations
A "sinking fund" of liquid investments in the ESOP	11.96%	12.41%	10.0%
Life insurance on participants with large accounts	14.11%	12.41%	21.67%
Company will fund repurchase out of current earnings	70.86%	70.30%	73.33%
Company or ESOP will borrow money to fund repurchase	19.33%	19.55%	18.33%
Other insurance program	2.76%	2.26%	5%
Cash in plan	38.34%	39.47%	33.33%
Combination of approaches mentioned above	30.98%	31.95%	26.67%
Not sure	4.60%	5.26%	1.67%

Provisions of Departure

■ PERCENTAGE



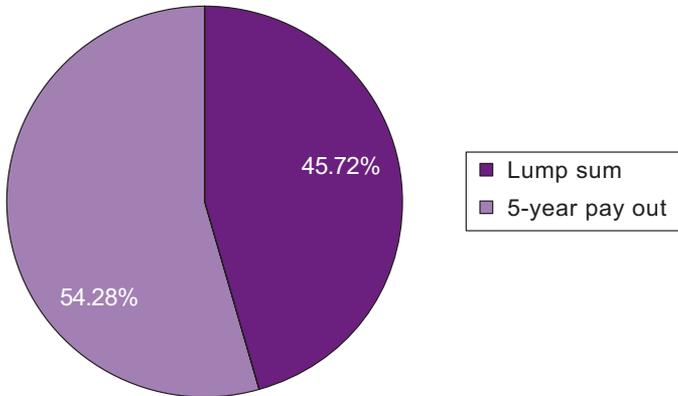
Distribution Policies

Employees receive the vested portion of their accounts at either retirement, disability, termination, or death. These distributions may be made in a lump sum payment or in installments over a period of years.

Respondents were asked about distribution policies in regard to retired, disabled, and deceased participants: 45.72% indicated a lump sum, 54.28% stated they offer a 5-year payout.

	All Responses	S Corporations	C Corporations
Lump sum	45.72%	45.97%	44.64%
5-year pay out	54.28%	54.03%	55.36%

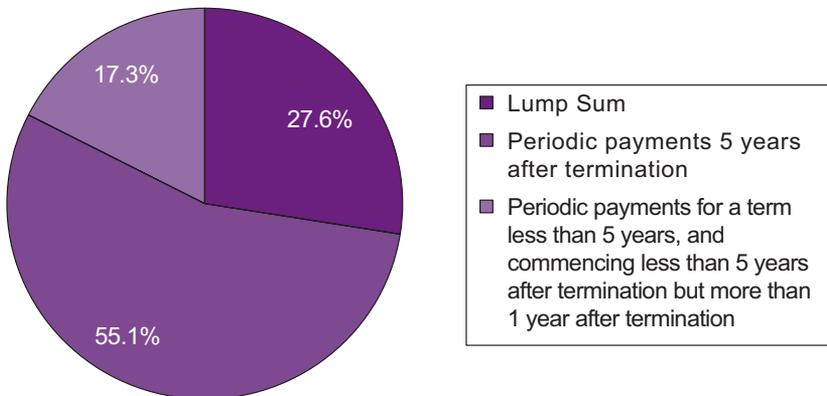
Distribution policy for retired, disabled, and deceased participants



For vested terminated participants, 27.55% indicated a lump sum, 55.10% periodic payment five years after termination, and 17.35% periodic payments for a term less than five years, and commencing less than five years after termination but more than one year after termination.

	All Responses	S Corporations	C Corporations
Lump Sum	27.55%	26.78%	30.41%
Periodic payments five years after termination	55.10%	55.65%	52.73%
Periodic payments for a term less than five years, and commencing less than five years after termination but more than one year after termination	17.35%	17.57%	16.36%

Distribution policy for vested terminated participants

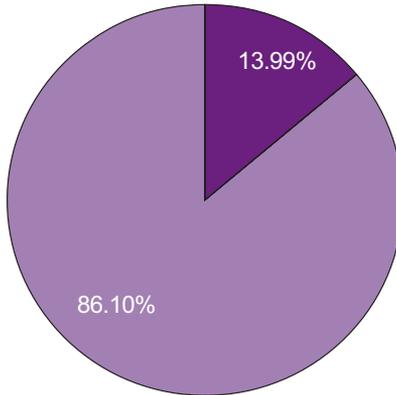


Diversification

Most ESOP companies allow some sort of diversification and the law does require diversification for employees with 10 years of service upon reaching age 55. Some companies, provide diversification opportunities before the 10 years of service/55 years of age statutory requirement.

	All Responses	S Corporations	C Corporations
Yes, offer diversification before 10 years of service/ 55 years of age	13.99%	14.23%	12.90%
No, does not offer diversification before 10 years of service/ 55 years of age	86.10%	85.77%	87.10%

Diversification



SECTION 5

Managing an ESOP Company

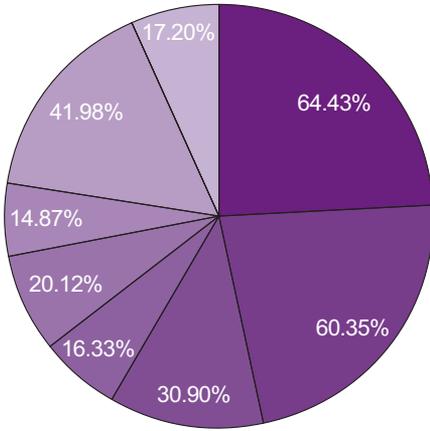
Influence on Company Management

Research appears to indicate that the more extensive the means used to involve employee owners in the company, the more an ESOP improves productivity. Companies were asked to identify the ways in which the ESOP has resulted in a change in how the company is managed.

As has been the case in previous surveys, ESOPs result in more information sharing, communications, and involvement in corporate policy decisions for employee owners.

	All Responses	S Corporations	C Corporations
Management communicates more frequently with employee owners	64.43%	66.55%	54.84%
More company financial information is provided to employees	60.35%	62.28%	51.61%
Employees have more direct input on job-related decisions	30.90%	32.38%	24.19%
Employees are more involved in corporate policy decisions	16.33%	17.79%	9.68%
Structured employee participation programs have been established	20.12%	21.0%	16.13%
Employees have seat(s) on Board of Directors	14.87%	15.30%	12.90%
Employees have representative(s) on ESOP participation groups, such as ESOP committee	41.98%	43.42%	35.48%
No change	17.20%	16.01%	22.58%

Influence on Company Management



- Management communicates more frequently with employee owners
- More company financial information is provided to employees
- Employees have more direct input on job-related decisions
- Employees are more involved in corporate policy decisions
- Structured employee participation programs have been established
- Employees have seat(s) on Board of Directors
- Employees have representative(s) on ESOP participation groups, such as ESOP committee
- No change

Motivation and Productivity

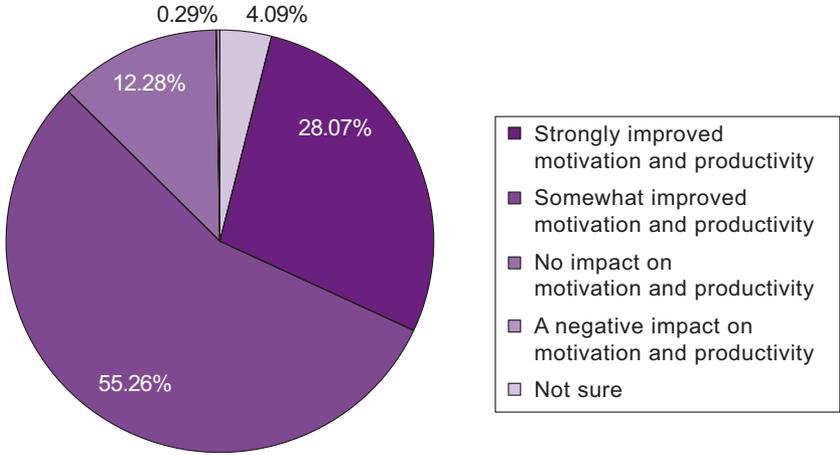
The 2015 ESOP Company survey confirms the findings of previous years, which indicate that managers at ESOP firms believe the ESOP improves motivation and productivity.

In 2015, 83.33% of ESOP companies reported improved motivation and productivity as a result of the implementation of the ESOP. This figure rose steadily since the survey was first completed in 1989 and remained stable in the last five years:

- 1989 – 66%
- 2000 – 75%
- 2005 – 82%
- 2010 – 84%
- 2015 – 83%

	All Responses	S Corporations	C Corporations
Strongly improved motivation and productivity	28.07%	29.64%	20.97%
Somewhat improved motivation and productivity	55.26%	54.64%	58.06%
No impact on motivation and productivity	12.28%	10.17%	19.35%
A negative impact on motivation and productivity	.29%	.36%	0%
Not sure	4.09%	4.64%	1.61%

Influence on Motivation and Productivity



Competitiveness

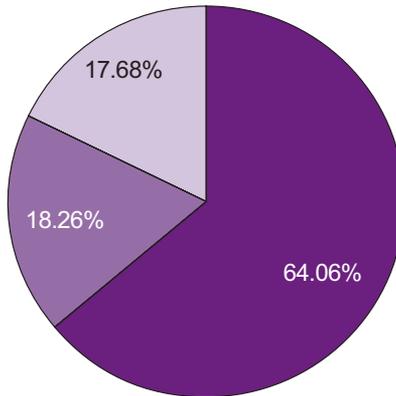
In previous years, the results showed the question on competitiveness to be a sticky point, however, this number has risen in the last two surveys. In 2005, only 25% agreed that the company was more competitive as a result of the ESOP, in 2010, that number was 55%.

In 2015, the number rose to 64.06%. There are some noticeable differences when this number is broken between S and C corporations.

	All Responses	S Corporations	C Corporations
Yes, more competitive	64.06%	66.78%	51.61%
No, less competitive	18.26%	16.25%	27.42%
Not sure	17.68%	16.69%	20.97%

Competitiveness

■ Yes ■ No ■ Not Sure



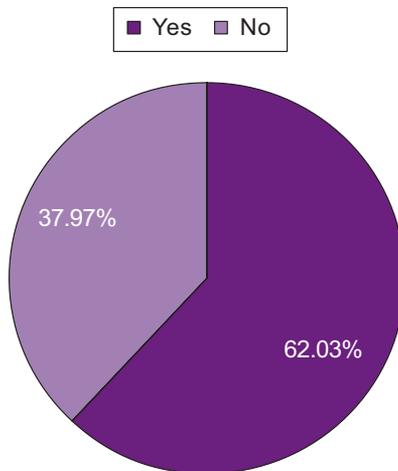
ESOP Education Programs

Many ESOP companies have an ESOP education program, an ESOP advisory committee, or ESOP group within the company. These committees/groups work to educate the employee owners about the workings of the ESOP, plan Employee Ownership Month celebrations, and conduct other activities that deal with the ESOP and ESOP education.

There are some noticeable differences when this number is broken between S and C corporations.

	All Responses	S Corporations	C Corporations
Yes, company has an ESOP education program	62.03%	65.37%	46.77%
No, company does not have an ESOP education program	37.97%	34.63%	53.23%

ESOP Education Programs



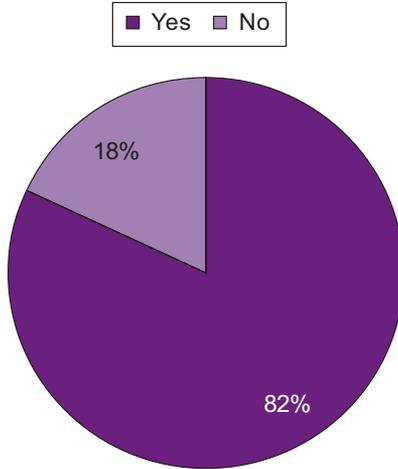
ESOP Advertising

Companies were asked whether or not they advertise that the company is employee owned. The purpose of this question is to determine what percentage of ESOP companies promote the ESOP concept.

81.98% of respondents indicated they advertise that they are employee owned through a variety of creative and innovative means: (The following are in no particular order.)

- Website
- Logo/Branding Materials
- Business cards/stationary/letterhead/email signatures/invoices/envelopes/business forms
- Internal communication: employee name badges/ESOP statements/employee newsletters
- Advertising (print/TV/radio)
- Marketing materials: company literature/brochures/all printed materials/publications/newsletters/sales and marketing collateral/direct mail/flyers/promotional materials/company branding
- Promotional items: clothing (shirts/jackets)/uniforms/company give aways/cups/hats/pens/note pads
- Recruitment tool: recruitment forms/help wanted and employment ads/recruitment video/job interviews/employee orientation
- Company signage/internal displays/banners
- Company vehicles/equipment/delivery trucks
- Media: press releases/radio/industry news stories/interviews/magazine articles
- Company intranet
- Word of mouth
- Posters/flags/flyers/contests
- Community events and outreach
- Trade shows/meetings/educational events
- Sales proposals/funding proposals/presentations to clients/bidding material/customer relations/reports/bids/requests for proposals
- Social media: Facebook/Twitter/video/blog

ESOP / Employee Ownership Advertising



SECTION 6

How Does an ESOP Benefit a Participant?

Average Account Balances

Average account balances change dramatically with each survey and are affected by the age of the ESOP companies participating in the survey.

In 2015, the average account balance was \$113,318. This number is slightly lower than the 2010 survey, in which the average account balance was \$195,222. The 2010 number was also much higher than the 2005 figure, which put the average at \$64,652.

In 2015, the average age of the ESOP is 16 years with the average year for establishment being 1999. In 2010, the average age of the ESOP was 15 years and in 2005 the average age was five years. Clearly, younger ESOP companies will not have account balances as large as older ESOPs.

This does not mean that the average account balances of all ESOP companies in the U.S. has risen or fallen drastically. It simply means that the companies who responded to the 2015 survey were mature ESOP companies, and due to the age of the ESOP, had much larger account values.

It is important to note the range for calculating this figure: \$0 to \$1,165,108.

The overall average approximate value of the largest distribution that has been made to an ESOP participant for the respondents participating in this survey was \$977,615.52 and the largest distribution was \$25 million.

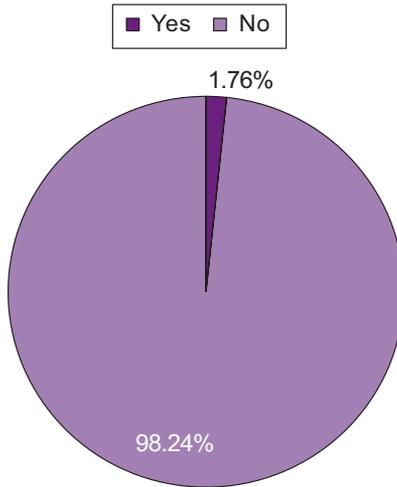
Average Account Balances – All Responses Both S & C	S Corporations < 250 Employees	S Corporations > 250 Employees	C Corporations < 250 Employees	C Corporations > 250 Employees
\$113,318	\$114,213	\$152,388	\$77,691	\$43,087

Wage Concessions

The 2015 survey confirmed results from the 2000, 2005, and 2010 surveys which indicate that ESOPs are rarely created as a result of wage concessions from employees.

	All Responses	S Corporations	C Corporations
Wage of benefit concession	1.76%	1.44%	3.23%
No reduction	98.24%	98.56%	96.77%

Wage or Benefit Reductions

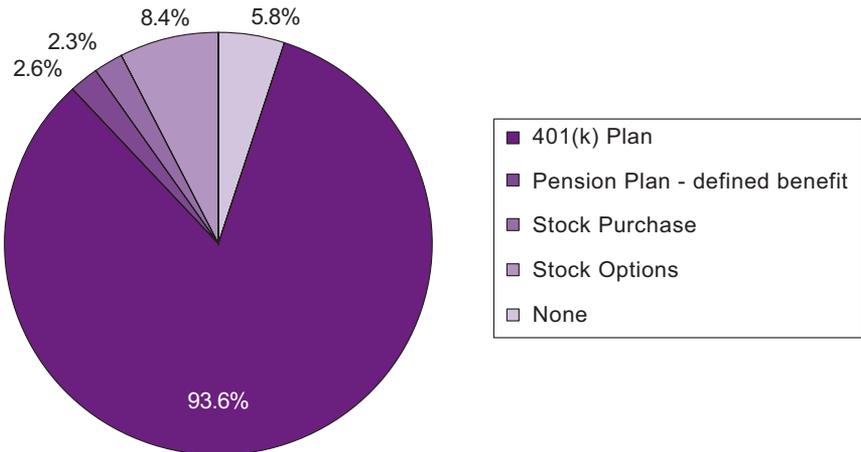


Other Benefit Plans

The 2015 survey results are similar to previous findings, which demonstrated that most ESOP companies provide other employee benefits to supplement the ESOP. In 2015, only 5.81% of respondents stated the company offered nothing in addition to the ESOP.

	All Responses	S Corporations	C Corporations
401(k) plan	93.60%	94.68%	88.71%
Pension plan – defined benefit	2.62%	2.84%	1.61%
Stock purchase	2.33%	.71%	9.68%
Stock options	8.43%	7.80%	11.29%
None	5.81%	4.61%	11.29%

Additional Employee Benefit Plans



SECTION 7

Benefits and Problems in ESOPs

ESOP Benefits

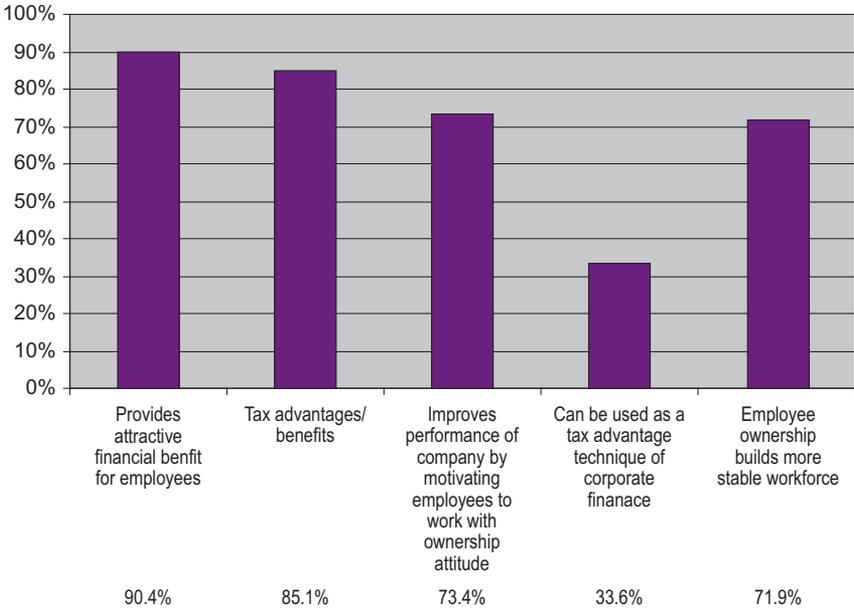
When companies were asked to list the major benefits associated with ESOPs, 90.35% stated ESOPs provide an attractive financial benefit for employees, and another 85.09% listed tax advantages.

Please note: This question asked respondents to check all that apply; so percentages will not total 100%.

	All Responses	S Corporations	C Corporations
Provides attractive financial benefit for employees	90.35%	91.46%	85.25%
Tax advantages/benefits	85.09%	88.97%	67.21%
Improves performance of company by motivating employees to work with ownership attitude	73.39%	74.73%	67.21%
Employee ownership builds a more stable workforce	71.93%	72.24%	70.49%
Can be used as a tax advantage technique of corporate finance	33.63%	34.88%	27.87%

ESOP Benefits

■ PERCENTAGE

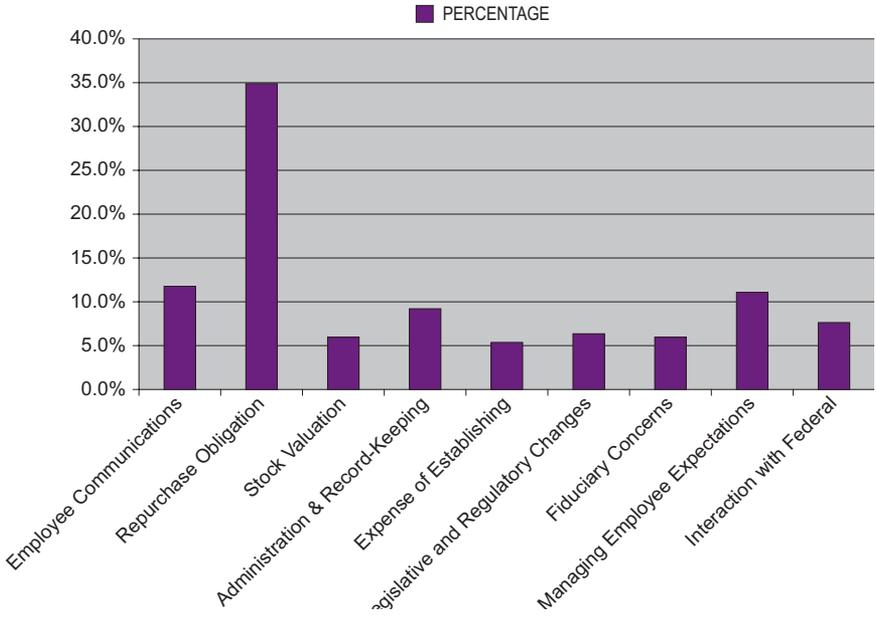


ESOP Problems

Companies were also asked to list the primary problems associated with their ESOP. In 2015, the biggest issues were repurchase obligation (34.88%), employee communications (12.04%), and managing employee expectations (11.42%). These were also the top three answers from the 2010 survey.

	All Responses	S Corporations	C Corporations
Repurchase obligation	34.88%	33.71%	40.0%
Employee communications	12.04%	13.26%	6.67%
Managing employee expectations	11.42%	12.50%	6.67%
Administration and record-keeping complexity	9.57%	8.71%	13.33%
Interaction with Federal government agency such as the Department of Labor or Internal Revenue Service	7.72%	6.82%	11.67%
Legislative and regulatory changes	6.48%	6.82%	5.0%
Fiduciary concerns	6.17%	6.06%	6.67%
Stock valuation	6.17%	6.06%	6.67%
Expense of establishing and operating plan	5.56%	6.06%	3.33%

Issues Associated with the ESOP



SECTION 8

Copy of Survey with Average Results



The Employee Ownership Foundation's 2015 ESOP Company Survey

1. My company has been a member of The ESOP Association for:

- 9.32% Less than 2 years
- 22.03% 2 - 5 years
- 23.73% 6 - 10 years
- 44.92% 11 or more years

2. In what state is your company located?

(If several locations, please indicate state of main office.)

Alaska	2	Maryland	8	Pennsylvania	14
Alabama	3	Maine	4	South Carolina	1
Arizona	3	Michigan	18	South Dakota	1
California	36	Minnesota	14	Tennessee	4
Colorado	3	Missouri	11	Texas	13
DC	1	Montana	1	Utah	2
Florida	4	North Carolina	9	Virginia	17
Georgia	6	North Dakota	8	Vermont	3
Hawaii	7	Nebraska	3	Washington	7
Iowa	10	New Hampshire	5	Wisconsin	18
Idaho	4	New Jersey	1	Wyoming	1
Illinois	17	New Mexico	2		
Indiana	11	Nevada	1		
Kansas	8	New York	16		
Kentucky	7	Ohio	20		
Louisiana	4	Oklahoma	6		
Massachusetts	13	Oregon	4		

3. Is your company an S corporation or a C corporation?

81.87% S corporation 18.13% C corporation

4. If an S corporation, was your company a C corporation when you created the ESOP?

61.11% Yes 38.89% No

5. If an S corporation, does the ESOP hold 100% of your company's stock?

75.52% Yes (If yes, skip to question #7)

24.48% No (If no, go to question #6)

6. If not 100%, what percent of your company's stock is currently held by the ESOP?

83.38%

7. Please indicate your company's line of business. If none of the categories below fits your firm, check "other" and describe your line of business briefly in the space provided.

.31%	Accounting Services	1.56%	Sales
.94%	Agricultural Services	.94%	Software
1.56%	Architectural Services		Engineering/ Services
2.81%	Banking		Transportation
1.88%	Communications / Advertising	1.88%	Utilities Services
3.44%	Consulting Services	.31%	Waste Management
15.31%	Construction	.31%	Services
5.94%	Distributing	6.56%	Wholesale
0%	Education	13.4%	Other
10.94%	Engineering Services		
2.19%	Environmental Services		
1.56%	Financial Services		
.94%	Food / Beverage / Hospitality		
1.56%	Government Contracting		
3.13%	Health Services		
4.69%	Insurance Services		
1.56%	IT Services		
23.44%	Manufacturing		
0%	Mining		
2.19%	Professional Services		
0%	Real Estate Services		
4.06%	Retail		

15. Which of the following employee benefit plans does your company maintain in addition to the ESOP?

93.60%	401(k)
2.62%	Pension Plan – defined benefit
2.33%	Stock Purchase
8.43%	Stock Options
5.81%	None

16. Is your ESOP combined with a 401(k) plan?

17.30%	Yes	82.70%	No
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17. Did the establishment of your ESOP result in wage or benefit reductions for your employees?

1.76%	Yes	98.24%	No
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18. Was your ESOP established as a conversion from another ERISA plan, such as a 401(k) plan or a defined benefit pension plan?

1.46%	Yes, from 401(k)
6.12%	Yes, from defined benefit pension
6.12%	Yes, from other
86.30%	No

19. Is your ESOP now leveraged?

48.40%	Yes
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If yes, what was the term of your original ESOP loan? 14.7 years

51.60%	No
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20. If not now leveraged, has your ESOP ever been leveraged?

75.37%	Yes	24.63%	No
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21. In your opinion, would your company have established the ESOP even without the availability of ESOP tax incentives.

(Consider a tax incentive the S ESOP tax deferral regime.)

30.03%	Yes
7.87%	Yes, but ESOP would have been smaller
31.87%	No
30.32%	Not sure

22. How would you describe the influence of your company's ESOP on the motivation and productivity of your employee owners?

- 28.07% Strongly improved motivation and productivity
- 55.26% Somewhat improved motivation and productivity
- 12.28% No impact on motivation and productivity
- .29% A negative impact on motivation and productivity
- 4.09% Not sure

23. Does your company have an ESOP Education Program such as an ESOP advisory committee or group?

- 62.03% Yes
- 37.97% No

24. Do you feel that your company is more competitive because of the ESOP?

- 64.06% Yes
- 18.26% No
- 17.68% Not sure

25. Check off the ways in which you feel the ESOP has resulted in a change in how your company is managed: (Check all that apply)

- 64.43% Management communicates more frequently with employee owners
- 60.35% More company financial information is provided to employees
- 30.90% Employees have more direct input on job related decisions
- 16.33% Employees are more involved in corporate policy decisions
- 20.12% Structured employee participation programs have been established
- 14.87% Employees have seat(s) on Board of Directors
- 41.98% Employees have representative(s) on ESOP participation groups, such as an ESOP advisory committee
- 17.20% No Change

26. Does your company advertise the fact that it is employee owned?

- 81.98% Yes
- 18.02% No

27. In the plan document, who is the trustee of your ESOP?

- 54.36% Company personnel
- 45.64% Non-company persons, such as bank, trustee company, or individual(s) that are not company personnel

40. What is the average value of the accounts of your ESOP participants?

\$113,318

41. What was the approximate value of the largest distribution that has been made to an ESOP participant from your plan?

\$977,615.52

42. What is the overall value of the ESOP? (Please estimate)

\$93,542,659.45

43. What is the average contribution your company has made to the ESOP each year, as a percentage of covered compensation, over the past three (3) years?

(If less than 3 years, since the inception of the ESOP.)

11.8%

44. What provisions have been made for funding the repurchase of stock from departing employees? (Closely Held Company)

(Check all that apply)

- 11.96% A "sinking fund" of liquid investments in the ESOP
- 14.11% Life insurance on participants with large accounts
- 70.86% Company will fund repurchase out of current earnings
- 19.33% Company or ESOP will borrow money to fund repurchase
- 2.76% Other insurance program
- 38.34% Cash in Plan
- 30.98% Combination of approaches mentioned above
- 4.60% Not sure

45. Do you redeem, recirculate, or do both to meet your repurchasing obligation?

- 17.54% Redeem
- 45.23% Recirculate
- 37.23% Both

46. What is your company's policy on voting rights for ESOP participants? (Closely Held Company)

- 4.27% Full voting rights pass through on all issues
- 95.73% Voting pass through only on major corporate issues as required by law

Notes



Notes



Notes





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