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# ESOP Association Launches New Member Database, New Website

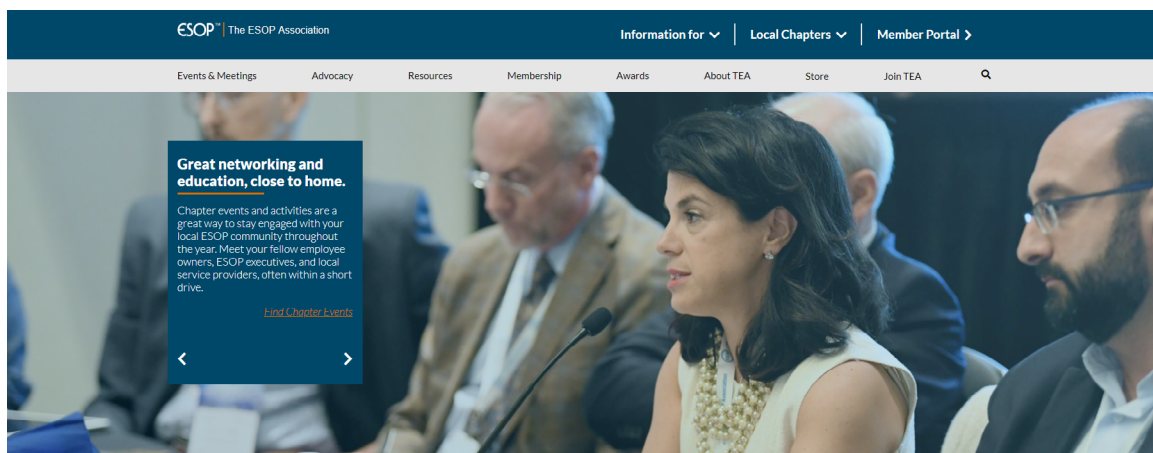
## Members Must Reset Their Passwords to Use These New Systems

On December 19 The ESOP Association ushered in a new digital era for its members when it simultaneously launched a new member database and new website. The two platforms perform different but related functions and should offer an improved and enhanced experience for members.

Members are encouraged to visit the new site and log on. Links enabling users to reset their passwords were sent to all members in December. (We were unable to move your previous password from the old system to the new one.) Please click the link and update your password so you can start enjoying these new systems.

The database and website work together

to provide a seamless and integrated experience for members. The database will handle all electronic commerce



EXPLORE THE ESOP ASSOCIATION

I want to...

Become A Member


### What is an ESOP?

In the simplest terms, an Employee Stock Ownership Plan (ESOP) is a retirement plan. But, in reality, it is much more than that: ESOPs motivate employees, increase productivity, improve worker retention, keep jobs local, contribute to business longevity, and so much more.

Learn More About ESOPs



(such as renewing your membership and registering for ESOP Association national and chapter conferences). The website offers new functionality that will be expanded over time.

We hope these new tools make your experience as an ESOP Association member more fulfilling. How do you like what you see? Please give us your feedback via e-mail at [ESOP@ESOPAssociation.org](mailto:ESOP@ESOPAssociation.org). 

# Advisory Committee on Administration

## What Expenses Can A Plan Pay?

By Dolores Lawrence, Managing Director, Blue Ridge ESOP Associates  
Reviewed by Lynn DuBois, Partner, ESOP Law Group

**R**easonable expenses for administering a plan can be paid from the plan trust. This assumes that there are no provisions in the plan document that prohibit the payment or that require all expenses to be paid by the plan sponsor.

Guidance for determining what is a reasonable and necessary administration expense come from Department of Labor (DOL) advisory opinions and bulletins, along with case law. A fair amount of guidance is available on the DOL's website.

DOL divides expenses into two groups: ERISA-mandated administration expenses and expenses associated with "settlor" functions. The first group of expenses generally can be paid from plan assets; the second group must be paid by the plan sponsor.

Settlor expenses are primarily associated with business decisions, including but not limited to:

- Considering whether to adopt a plan.
- Choosing the type of plan to adopt, along with design considerations for the plan.
- Making discretionary changes to the plan by amendment.
- Consultation and discussion regarding whether to terminate a plan; preparation of amendment to terminate the plan.

Other expenses to be paid by the plan sponsor include the cost of plan corrections related to plan errors or fiduciary errors, including the cost of corrections under the Voluntary Fiduciary Correction Program and Voluntary Correction Program compliance fees.

Once a settlor decision is made to create a new plan or terminate it, the costs of implementation can be paid by the plan. Those are administration expenses. Other expenses for ongoing maintenance of the plan can be paid from plan assets and include, but are not limited to:

- Plan amendments that are required due to changes in laws or regulations; the costs associated with IRS determination letter requests.
- Plan and participant recordkeeping, nondiscrimination testing, preparation of Form 5500, and other required plan filings.

- Costs associated with participant communications and required participant disclosures, including participant benefit statements, Summary Plan Descriptions, and fee disclosures that may be required.
- Plan audit fees, annual ESOP valuation fees, trustee or custodian fees, and investment advisory fees.
- Expenses associated with distribution and claims processing, including review of domestic relations orders.
- Legal services necessary for ongoing plan administration or resolution of fiduciary issues.

## ESOP Report



### *The Voice of The ESOP Association*

The *ESOP Report* is published on a monthly basis by The ESOP Association, the national non-profit association of employee-owned companies and ESOP practitioners, located at:

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A service provider's invoice may include fees for more than one plan of the sponsor. Invoices for legal fees might include amounts for settlor and non-settlor functions. In these cases, fees need to be prorated appropriately.

Many third party administrators have detailed checklists that outline what expenses can or cannot be paid from a plan, and usually they are willing to share these checklists with plan sponsors.

While the checklists can certainly be helpful, they are not all inclusive. When in doubt, it is best to start with a few key questions:

- Is the expense discretionary on the part of the plan sponsor?
- Does the expense primarily benefit the plan sponsor?
- Should the expense be prorated so that only the amount necessary for plan operations and administration is paid from plan assets?
- Does the plan include any language that would prohibit the plan from paying for the expense in question?

Before having the plan bear expenses, also ask why the expense is being paid from the plan and not being paid by the plan sponsor. Many plan sponsors choose to cover a substantial portion of plan expenses. Also keep in mind that for plans that have any participant-directed investments, there are required fee disclosures.

For more information on plan expenses see the DOL publication [Understanding Retirement Plan Fees and Expenses](#). For information on allocating plan expenses to participant accounts, see the Advisory Committee article titled "Allocating Expenses to Participants' Accounts" in the November 2019 *ESOP Report*. [E](#)

### Calendar of Deadlines and Important Dates

**Jan. 23-24** State & Regional Chapter Council Meeting

**Jan. 29-30** Employee Owner Retreat

**Feb. 6-7** ESOP Professional's Forum

**May 20-22** National Conference

To see the full list of ESOP Association meetings, visit us online at: [www.esopassociation.org](http://www.esopassociation.org).

## AACE and EOM Poster Entries Due Soon!

### Entries Due Feb. 3; Three Changes Made for the 2020 Competitions



**I**t's time to start wrapping up your entries for the Annual Awards for Communication Excellence (AACE) and the Employee Ownership Month Poster competitions! All entries are due in The ESOP Association offices by Feb. 3, 2020.

As you prepare to meet the deadline, please be sure to note three changes that have been made to this year's competitions:

**1)** Judges will consider in their evaluation of entries the correct use of Association branded elements. What is the correct way to

use Association branding—such as The ESOP Association logo? Copy and scale it exactly as it appears in the original.

Why is this so important? Under copyright law, if we as a community use these items inconsistently, we risk losing legal protection over them.

**2)** If you would like to have your AACE entry returned to you, please be prepared to pay the shipping charges. For years we have paid the freight to return entries, but these competitions have become so popular that it has become too costly to continue this practice. As you prepare your entry, ask yourself if you can avoid including items that are valuable or that you might reuse for other purposes. If you can leave those valuable items out of your entry, you won't need to pay the return shipping cost and we will simply dispose of your entry.

**3)** Due to space constraints, only entries from winners and runners up will be displayed at the National Conference. We had to make this change last year to improve the experience for all our attendees, and we need to make it again. The National Conference has become so successful—we draw so many attendees and offer so many sessions—that we have outgrown our space in the conference hotel.

Making this change provides better traffic flow in multiple areas of the conference. It also enables us to house AACE and EOM Poster entries in a room that can be locked at night.

As with last year's competitions, please download the [digital form](#), type out your information, save the form to your computer, and e-mail the form to us at [media@esopassociation.org](mailto:media@esopassociation.org).

Filling out the form digitally ensures we can readily access any websites and passwords you submit; doing so also automatically creates a return label for your entry, which speeds processing and helps ensure your materials

are returned safely and promptly, if you chose to have materials returned.

Good luck entering this year's competitions and be sure to come to the National Conference in May to learn from this year's winners and runners up. For more information about entering the AACE or Employee Ownership Month Poster competitions, visit our website and [download the entry rules](#). €

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## SRCC Meeting Moved to January

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### Change Offers Benefits to Chapter Officers and Members Alike

The State and Regional Chapter Council (SRCC) meeting is undergoing some key improvements this year. The meeting—which has been held in Washington, D.C. in May for many years—will take place at the beginning of the year going forward. This year, the meeting will be held January 23-24 in Denver.

Holding the gathering at the beginning of the year offers several important benefits to chapter officers and to all members.

- The move allows ESOP Association chapter officers to gather, learn, network, and share ideas at the very beginning of their terms—so officers can apply what they learn to the entire year, including the busy spring season when a great many chapter meetings take place.
- Just as importantly, having the SRCC meeting early in the year allows the national staff and Board leaders to review materials, collaborate on ideas, and hear about

chapter officers' needs before the year gets fully under way.

- In the past, the SRCC meeting was held the day before the National Conference in Washington, D.C.—a day when many members visit their elected officials on Capitol Hill. Moving the SRCC meeting to January means that chapter leaders no longer need to choose between meeting with each other and meeting with their members of the House and Senate. It also means The Association will have the space and bandwidth to pursue offering additional training and educational content to members in May, so they can be even better prepared to visit Capitol Hill.

All chapter officers should have received e-mails about these changes in December from Dan Marcue, The ESOP Association's Chapter Development Officer. If you did not receive these e-mails, or if you have any questions, please contact Dan at [DMarcue@ESOPAssociation.org](mailto:DMarcue@ESOPAssociation.org). €

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## Alignment: One of the Most Powerful Advantages of Employee Ownership

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### Businesses Seek What Comes Naturally to ESOP Companies—A Connection Between Individual and Company Performance

For years, business leaders and management professionals have sought a sort of holy grail of employee involvement, a way to tightly align the interests of employees with those of the business.

Too often they missed an answer that was hiding in plain sight: employee ownership.

In employee owned businesses, everyone shares in the rewards when the business prospers—which means everyone has reason to care about the businesses'

performance. And that more readily puts everyone on the same page.

One outcome is that employee owners are more likely to intercede when their co-workers are not performing up to expected norms, according to data gleaned from the General Social Survey. (This survey is the single best source for U.S. sociological data, and the results on employee ownership were gathered thanks to funding from the [Employee Ownership Foundation](#).)



Consider that for a moment: Many people (perhaps most) would rather avoid a conflict than engage in one, and no one would engage in a potential conflict over something they care nothing about.

The fact that employee owners are willing to address a co-worker who isn't up to snuff means they care. And why shouldn't they? If their colleagues aren't performing well, they risk losing out on the shared rewards available to everyone.

Just as importantly, consider what might happen when a colleague—rather than a supervisor or manager—initiates this kind of conversation. Because a conversation with a co-worker brings no imminent threat of negative performance ratings or other discipline—as it might with a boss—it might engender a less defensive reaction.


What's more, a co-worker—especially one who works in a similar or even identical role—may be able to suggest options for working faster or better based on practical, every day experience. And the person receiving that advice might be more inclined to listen because everyone—including the person being addressed—stands to gain if work can be done better or more efficiently.

Now think about the effect on management if co-workers take an active part in improving the performance of a team. How much time and effort might that free up for managers, who can devote their energies to other ways of improving the business?

Could this same chain of events happen in a conventionally owned business? Of course, it could. But does it? Not according to the GSS research. The reason for that is pretty clear: In conventionally owned businesses, employees have no real incentive to initiate this kind of conversation. After all, they get paid the same amount whether the people around them do their jobs or not.

That kind of response is all too common, and it is why management gurus have been seeking a way to gain greater alignment between employees and businesses.

The answer is there: Make employees owners and have them share in the rewards. Then everyone has an interest in improving performance—both individual and collective.

*Editor's Note: This item appeared originally in the [Employee Ownership Foundation blog](#). To see more Foundation blog posts, visit the Foundation website at [www.employeeownershipfoundation.org](http://www.employeeownershipfoundation.org). *

## A Status Check on ESOP Bills in Congress

### Two Pro-ESOP Bills—S. 177 and H.R. 2258—Are Garnering Identical Bipartisan Support and Attracting New ESOP Champions

**A**s we look to a new year and the second half of this Congressional term, it is a good milestone for checking our progress on the two most significant bills that support ESOPs: S. 177 and H.R. 2258. These bills include provisions that seek to:

- Expand financing opportunities for S corp ESOPs.
- Provide technical assistance for companies that may be interested in forming an S corporation ESOP.
- Ensure that small businesses adopting ESOPs retain their Small Business Administration 8(a) preference when competing for government contracts at all levels.

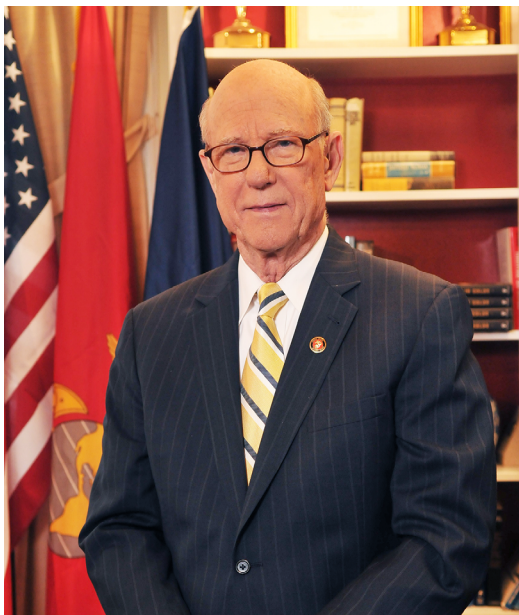
These provisions are important to our community and can help address some of the hurdles that potential companies face when deciding to launch an ESOP.

So far this term, 36 members of the Senate and 48 members of the House have stood up to sponsor these important pieces of legislation. Among these supporters are 15 members of the House and one member of the Senate who are offering public support for ESOPs for the very first time.

As it so often is with ESOP legislation, support has been bipartisan. In fact, both bills have equal numbers of supporters among Republicans and Democrats. (S. 177 also has support from two Independents—Sen. Bernie Sanders of Vermont and Sen. Angus King Sr. of Maine.)

#### S. 177

Senate bill S. 177 was introduced by Sen. Pat Roberts (R-KS) on January 17, 2019. Typically, Senators will introduce bills that are most important to them early in a Congressional session. The fact that this bill has such a low



Sen. Pat Roberts

number is therefore very significant. At this point, there are more than 3,000 bills in the Senate.

The following Senators officially support S. 177. They are listed below in the order in which they signed on to the bill.

The Senator whose sponsorship marked her first official public act of support for ESOP companies is marked in bold. Adding new supporters like these is important for the employee ownership community's advocacy efforts.

### **S. 177 Sponsors**

Sen. Pat Roberts, (R-KS)  
Sen. Benjamin Cardin, (D-MD)  
Sen. Thom Tillis, (R-NC)  
Sen. Rob Portman, (R-OH)  
Sen. Mike Crapo, (R-ID)  
Sen. Maria Cantwell, (D-WA)  
Sen. James Risch, (R-ID)  
Sen. Sheldon Whitehouse, (D-RI)  
Sen. Patrick Leahy, (D-VT)  
Sen. Amy Klobuchar, (D-MN)  
Sen. Debbie Stabenow, (D-MI)  
Sen. Tammy Baldwin, (D-WI)  
Sen. Robert Casey, Jr. (D-PA)  
Sen. Jerry Moran, (R-KS)  
Sen. Chris Van Hollen, (D-MD)  
Sen. Gary Peters, (D-MI)  
Sen. Joni Ernst, (R-IA)  
Sen. Johnny Isakson, (R-GA)  
Sen. Jack Reed, (D-RI)  
Sen. John Hoeven, (R-ND)  
Sen. John Thune, (R-SD)  
Sen. Patty Murray, (D-WA)  
Sen. Tammy Duckworth, (D-IL)  
Sen. Jon Tester, (D-MT)  
Sen. Susan Collins, (R-ME)  
Sen. Christopher Coons, (D-DE)  
Sen. John Kennedy, (R-LA)  
Sen. Deb Fischer, (R-NE)  
Sen. Bernard Sanders, (I-VT)  
Sen. Roy Blunt, (R-MO)  
Sen. Angus King, Jr. (I-ME)  
Sen. John Boozman, (R-AR)  
**Sen. Martha McSally, (R-AZ)**  
Sen. Margaret Wood Hassan, (D-NH)  
Sen. Pat Toomey, (R-PA)  
Sen. Jeanne Shaheen, (D-NH)

## **H.R. 2258**

House bill H.R. 2258—which is the House version of S. 177—was introduced by Rep. Ron Kind (D-WI) on April 10, 2019. At press time, there were 48 members of the House who officially supported this bill. Below are the names of these Representatives, listed in the order in which they sponsored the bill.

Those whose sponsorship marked their first official public act of support for ESOP companies are marked in bold. Our community's biggest gains so far this term have been in the states of California (where we added five new supporters), Alabama (two supporters added), and Pennsylvania (where we gained two additional supporters).

### **H.R. 2258 Sponsors**

Rep. Kind, Ron (D-WI-3)  
Rep. Jason Smith, (R-MO-8)  
Rep. Earl Blumenauer, (D-OR-3)  
Rep. Mike Kelly, (R-PA-16)  
Rep. Tom Reed, (R-NY-23)  
Rep. Bill Pascrell Jr., (D-NJ-9)  
Rep. Robin Kelly, (D-IL-2)  
Rep. Ralph Norman, (R-SC-5)  
Rep. Brian Fitzpatrick, (R-PA-1)  
Rep. Brad Wenstrup, (R-OH-2)  
Rep. Glenn Thompson, (R-PA-15)  
Rep. Susan Wild, (D-PA-7)  
Rep. Peter Welch, (D-VT-At Large)  
Rep. Chellie Pingree, (D-ME-1)  
Rep. Jared Golden, (D-ME-2)  
Rep. Ron Estes, (R-KS-4)  
Rep. Rodney Davis, (R-IL-13)  
Rep. David Loebsack, (D-IA-2)  
**Rep. Van Taylor, (R-TX-3)**  
Rep. Dean Phillips, (D-MN-3)  
**Rep. Brendan Boyle, (D-PA-2)**  
Rep. Cathy McMorris Rodgers, (R-WA-5)  
Rep. Brian Higgins, (D-NY-26)  
Rep. Louie Gohmert, (R-TX-1)  
Rep. Jim Hagedorn, (R-MN-1)  
Rep. Gwen Moore, (D-WI-4)  
**Rep. Daniel Kildee, (D-MI-5)**  
Rep. Andy Barr, (R-KY-6)  
Rep. Roger Marshall, (R-KS-1)  
**Rep. Mo Brooks, (R-AL-5)**  
Rep. Jackie Walorski, (R-IN-2)  
Rep. Ann Wagner, (R-MO-2)  
**Rep. Darin LaHood, (R-IL-18)**  
**Rep. Gilbert Cisneros, Jr. (D-CA-39)**  
Rep. Ann Kuster, (D-NH-2)  
Rep. Danny Davis, (D-IL-7)  
**Rep. Steve Watkins, (R-KS-2)**  
**Rep. Terri Sewell, (D-AL-7)**  
**Rep. Ted Budd, (R-NC-13)**  
**Rep. Ro Khanna, (D-CA-17)**  
Rep. Emanuel Cleaver, (D-MO-5)  
**Rep. Bryan Steil, (R-WI-1)**  
**Rep. Abby Finkenauer, (D-IA-1)**  
**Rep. Dwight Evans, (D-PA-3)**  
**Rep. Nanette Diaz Barragan, (D-CA-44)**  
Rep. James Comer, (R-KY-1)  
Rep. Adrian Smith, (R-NE-3)  
**Rep. Katie Porter, (D-CA-45).** €

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# Legal Update

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## Customer Concentration in ESOP Transactions

By Harvey M. Katz, Fox Rothschild LLP and Lana Simkina, Eureka Capital Partners, LLC

Edited by Julie Govreau, Senior Vice President and Chief Legal Counsel, Greatbanc Trust Company, Lisle, IL

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**C**ustomer concentration is one of the key risks in any sale transaction, whether to a third-party or an ESOP. In our experience, loss of an important customer or a material piece of business post-closing could lead to a catastrophic erosion in the company's value. In turn, this can result in myriad fiduciary, legal, and financial issues, and even attract unwanted regulatory scrutiny. Such catastrophic loss in value represents the most significant material risk to ESOP stakeholders.

That being said, there are several practical approaches to evaluating customer concentration risks and correctly pricing them into the deal. These approaches are routinely utilized by (non-ESOP) third-party acquirors as part of their transaction due diligence.

However, in the authors' experience, ESOP trustees sometimes perform less "objective" due diligence, relying too heavily on unverified assertions from the company regarding the strength of customer relationships. Consequently, it is instructive to examine how third-party acquirors analyze and perform due diligence on customer concentration.

Arguably, adoption of a similarly rigorous approach would be highly beneficial to prevent significant post-closing issues in ESOP transactions.

The most obvious implication of high customer concentration is a material reduction in profits resulting from the total or partial loss of a customer's business. However, even assuming that no loss of business occurs, the existence of customer concentration is likely to have an enduring impact on the company's operations and outlook.

For example, because of the customer's importance to the company, the customer often has significant leverage over the company, which can lead to ongoing pricing pressure and other unfavorable concessions (e.g., credit terms, inventory carry requirements).

Further, dependence on one or a handful of customers can result in a less flexible business model that limits the company's growth prospects. For instance, the existence of a dominant customer could have a chilling effect on the company's efforts to attract new business, which generally pales in comparison to the size of the dominant relationship. In some cases, incentive arrangements with employees discourage growth of new business by tying compensation solely to the amount of revenue generated, without taking into account profitability or the importance of establishing new relationships.

In traditional transactions involving mergers and acquisitions, buyers typically spend a significant amount of time performing due diligence on issues related to customer concentration. This level of due diligence enables buyers to fully analyze the risks, potential mitigating factors, and corresponding impact on value.

Customary due diligence focuses on two key areas. The first typically involves evaluating:

- The percentage of revenues and profits represented by specific customers.
- Historical changes in customer concentration.
- Historical losses of customers, reasons behind them, and the company's ability to replace the business.

*Because of the customer's importance to the company, the customer often has significant leverage over the company, which can lead to ongoing pricing pressure and other unfavorable concessions.*

- Length and strength of the customer relationship, key decision makers on both sides, and risks associated with transitioning the relationship in the event of personnel changes. This would include the length and enforceability of any restrictive covenants in place for key company personnel.

The second key group of factors focuses on assessing potential mitigating factors, such as:

- Long-term contracts.
- Multi-location contracts.
- Multiple and independent decision makers responsible for different locations/divisions under the contract.
- Track record of successful contract renewal.
- Importance of the company's products or services to the customer (i.e., "stickiness" of the business).
- Clear strategy to diversify customer mix, supported by appropriate incentives for sales and other key personnel.

Buyer-specific mitigating factors include potential diversification of customer mix when the company and buyer's client lists are combined. Consequently, strategic buyers and private equity firms with existing platforms are more likely to overcome customer concentration issues than other types of buyers. For the most part, this ability to diversify customer mix by combining businesses is not

available to an ESOP purchaser—a critical difference that should be kept in mind by ESOP trustees.

Sometimes, ESOP trustees rely too heavily on the existence of multiple contacts with multiple decision makers as solid evidence that the loss of one or more contacts will not result in the loss of the entire relationship. Even multiple relationships can be affected by high-level policy decisions that result in a change in corporate direction.

An example of the inadequacy of one ESOP's due diligence procedures is highlighted by a clothing manufacturer whose dominant customer was a major "big box" retailer. The trustee obtained unequivocal assurances from the company that the relationship with the retailer was unshakable, due to the existence of multiple contracts with the retailer—each of which involved a different line of business and a different relationship manager at the company.

By relying on these unverified assurances, the trustee failed to anticipate a post-closing decision by the retailer to outsource all manufacturing to Asia.

At a minimum, trustees should review the annual reports and public statements issued by the company's major customers, as those documents may indicate potential changes in corporate direction that could affect the overall relationship with the company.


This recommendation would have served well in the ESOP transaction involving a contractor that supplied crushed stone for home and road building projects. Its dominant customer was a major national homebuilder, and the company's presentation to the trustee reflected an expectation of increasing sales to this customer. A simple review of the homebuilder's publicly available annual report

would have uncovered an anticipation of a recession and a dramatic drop in new home construction.

In addition to reviewing publicly-available information, the most important element of the due diligence process is calling the company's customers. These calls typically are conducted to validate information provided by the company and to evaluate the relationship and outlook from the customer perspective.

Traditionally, sellers to an ESOP resist this level of diligence, citing concerns that any such calls will adversely affect critical customer relationships. Third-party purchasers generally ameliorate this risk by delaying calls until the closing is imminent, agreeing upon a script in advance, and having the company management participate in the call.

In practice, customers—and, ultimately, companies themselves—often view these calls as a valuable opportunity to take stock of the relationship and at times, identify areas of growth or improvement. Further, customers typically perceive ESOP transactions as less threatening to their relationship with the company as compared to a sale to third party. ESOP trustees, when appropriate, should insist on this level of verification, notwithstanding company concerns.

Customer concentration may become a deal breaker, particularly for ESOPs and financial buyers that do not have existing platforms in the sector and thus cannot diversify customer mix by combining a target's operations with their existing businesses. However, following a thorough due diligence that includes customer calls, many buyers might get comfortable with this risk by identifying mitigating factors and making appropriate valuation adjustments, thus minimizing post-closing exposure. 

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# Hawaii Employee Owner Retreat

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## Employee Owner Retreat Adds a New Location, Earlier Time

**L**ay down a solid foundation, develop new perspectives on ownership, and learn with and from one another at the Employee Owners Retreat in Hawaii. This is the first year the retreat has been in Hawaii and we can't wait to say Aloha to you.


Designed primarily for hourly and salaried non-managerial employee owners, the Employee Owner Retreat offers a combination of small group discussions and structured exercises

Typically, attendees come from ESOP companies where developing a culture of ownership is an important aspect of corporate success. Participants are often members of the board, ESOP committees, problem solving teams, or company trainers, and informal non-managerial leaders.

Topics include:

- Ownership Communication Forum & Knowledge Sharing.
- Understanding Financial Information & Financial Analysis.
- Team Problem Solving Skills.
- Networking and ESOP Experience.

ESOP companies are encouraged to send up to six employee owners to the retreat; sending multiple employee owners often makes post-retreat implementation more effective.

For more information about the Employee Owner Retreat in Hawaii, or to register, e-mail our Meetings Department at [Meetings@ESOPAssociation.org](mailto:Meetings@ESOPAssociation.org). 



# President's Corner

## The ESOP Association at the Start of a New Decade

One of the things I like the most about the New Year is that while it is certainly an opportunity to reflect upon accomplishments, more importantly it is about the hopefulness of what lies ahead. After all, we don't celebrate Old Year's Day, we celebrate New Year's Day.

Still, for The ESOP Association, there is much to be proud of from 2019 and the decade that has just passed. In fact, 2019 marked a watershed year in the history of our Association. Not only did the decade finish with the first major transition of leadership in nearly three decades when Michael Keeling retired and handed the baton off to me, but The ESOP Association managed to navigate this generational transition while posting a year of record accomplishments.

There are many metrics by which an organization can be measured: number of members, annual revenues, conference attendees, volunteer leaders, educational sessions. The list could go on, but just using these most basic measurements, TEA finished the last decade with flourish.

In the years leading up to it, and during 2019, TEA enjoyed record attendance at chapter conferences and meetings—a leading indicator of the health of our Association as well as the value our members get back in return. There is simply no other organization in TEA's class when it comes to conferences and affordable in-person education and networking for employee owned businesses.

In 2019, close to 3,200 people attended a National Conference sponsored by The ESOP Association. And with 18 Chapters hosting 160 events nationwide, more than

10,000 employee owners and professionals participated in a chapter event during the last year. Our annual Employee Owned 2019 conference in Las Vegas attracted the largest number of conference attendees, exhibitors, and speakers



in its history. And with The Association's revenues at an all-time high and our membership growing, we are deeply investing in new tools and systems to prepare us for the future.

As the employee ownership community turns toward the next decade, we will mark several very important milestones. There is an

unprecedented opportunity before our community of employee owners and for our nation—if we have the courage and determination to lead. Take a moment to think about what we will mark together during the next decade. In 2024, we will celebrate the 50<sup>th</sup> anniversary of the Employee Retirement Income Security Act of 1974 (ERISA), which first established the legal framework for ESOPs under federal law. In 2027 The ESOP Association will celebrate its 50<sup>th</sup> anniversary serving employee owners, their companies, and the dedicated professionals who provide services to them.

Both of these are important anniversaries against which we can drive a vision for the future. While these dates are admittedly symbolic in nature, through our leadership, we


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can use them to inspire others in the public and business arenas to join the effort and grow employee ownership.

That is, indeed, what is most inspiring to the imagination about the next decade: the opportunity to grow the number of employee owners and ESOPs exponentially. During the next decade, America will experience the largest generational transfer of business ownership in its history. Our data analysis has shown that over 2.5 million businesses are privately held by baby boomers who will retire within this next decade. Fully 10 percent of those businesses, more than 250,000 of them, meet a profile for being excellent candidates for ESOP formation. What makes them good candidates? They have similar annual revenues,

industry types, employee numbers, and business structures to companies that have already become ESOPs.

During the 2020's, this is truly our challenge—to lean forward in our posture and champion the employee ownership movement. Our nation and our workers are crying out for a different way to more fairly provide economic security on an equitable basis. To slow the accumulation of tremendous wealth in the hands of a very small number, and allow for an ownership stake in our own futures. As boomers retire and transition their businesses in this next decade, we need to come together as a community to ensure that the greatest number possible choose to form ESOPs, and turn employees into owners. 

## Amanda Rushing Joins TEA Staff as Vice President of Events & Education

### Newest Addition to The ESOP Association Staff Brings Both a Wealth and a Variety of Wonderful Experiences to the Organization

**A**manda Rushing joined The ESOP Association staff on December 17 as the organization's Vice President of Events & Education. Rushing brings a wealth of invaluable experience to this position and will play a key strategic role in developing and continually improving The Association's events.

Rushing has more than 20 years of high-level experience with association conferences. She previously served as the Director for Conventions & Meetings at the American Urological Association, the Director for Conferences & Meetings at the American Society of Civil Engineers (ASCE), and the Director of Conventions & Meetings at the National Association of Elementary School Principals.


She also brings the practical insights gained from running her own business—an event management consulting firm that provided services to associations and government entities. Her clients included (ASCE), the Department of Health & Human Services, the Department of Justice, the National Institutes

of Health, the National Institute for Child Health & Human Development, and the U.S. Mexico Health Commission.

Rushing has been active at the highest levels of the professional meeting planning community. She served on the Board of the Professional Convention Management Association (PCMA) from 2012 to 2015. She has held the PCMA Certified Meeting Professional accreditation since 1998, and served for 15 years as a Certified Instructor and Facilitator. She also was a content editor for one of PCMA's books.

Rushing also was active with the Events Industry Council.

Her career highlights include planning the global events celebrating the 100<sup>th</sup> Anniversary of the Panama Canal (including serving as a liaison to the Panama Canal Authority and the Army Corps of Engineers) and launching the movie premiere of *Dream Big* in IMAX theaters.

The ESOP Association is pleased to have Amanda on our staff, and we look forward to the many contributions she will bring in 2020 and going forward. 



Amanda Rushing, TEA's new Vice President of Conferences & Events during a visit to the White House.

# Programming for ESOP Executives Leaps Ahead at The ESOP Association

## Sessions in Las Vegas Are a Precursor of What's to Come in 2020

One of many innovations at the Employee Owned 2019 Conference & Trade Show was the addition of a special track of programming for CEOs. Offering both high-level business and ESOP specific sessions and roundtable discussions, the new program attracted an overwhelmingly positive response from attendees. In fact, the addition of this new programming was credited for the highest level of CEO attendance in the conference's history.

Over two days, any chief executive or designated successor attending the conference could attend the sessions addressing the type of high-level, future oriented issues facing top business executives. The most popular sessions proved to be the hour long, private training sessions provided by our main conference keynote speakers, followed closely by the peer-to-peer dialogue during the CEO Roundtable discussions on current hot topics in ESOPs.

Over 120 CEO's participated Thursday morning with Conference Keynote Sekou Andrews, who led a rowdy session on effective public and improvisational speaking. Andrews has been a speaking and storytelling coach for some of the most famous leaders in the world, including Oprah Winfrey and former President Barrack Obama.

Immediately after their own speeches, fellow keynoters Seth Mattison and Erika Dhawan also led private sessions exploring their respective topics of generational, technological, and communications change in the workforce while providing specific, hands-on tools for executives.

Three roundtable discussions were led by professional facilitators covering ESOP specific challenges that are front of mind for most CEOs. Topics included managing unsolicited offers, executive recruitment and succession planning in ESOPs, and navigating the real-world implications of the ESOP repurchase obligation. Rounding out the program were special sessions with national experts on external affairs, corporate citizenship, international trade, and the #MeToo movement.

During these sessions, and in feedback after the conference, it became clear there is a need for executive focused programming through The ESOP Association. In response, TEA will continue to offer these CEO targeted programs, and will seek to expand content for other C-suite leaders such as CFOs and SVPs.

In addition, later this spring we will roll out a new, annual program just for our members' presidents and CEOs. Designed similarly to CEO programs for investor owned or privately held businesses, the ESOP CEO program will create annual opportunities for close peer-to-peer engagement and education using the top coaching, advisory, and thought leaders in the nation.

To ensure a quality experience, membership in this program will be limited and will include annual participation requirements. If you or one of your executives is interested in this program, please e-mail us at: [ESOP@ESOPAssociation.org](mailto:ESOP@ESOPAssociation.org). Look for invitation packets to be mailed the first quarter 2020. €

Now You Can Find The Employee Ownership Foundation on:





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