ESOP Report

March 2023 | The Voice of The ESOP Association | Serving the Entire ESOP Community





Have you registered yet?

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Education. Advocacy. Community. These are the hallmarks of TEA's annual National Conference in Washington, DC, the largest ESOP event focused on culture, communications, and public affairs.

With five separate learning tracks covering all ESOP roles and responsibilities, and more than 60 educational and roundtable sessions diving into dozens of topics, there's something for everyone at TEA National! Whether you're a CEO or the newest member of your ESOP's Culture Committee, you'll learn all the latest trends and best practices from our expert presenters and speakers.

In today's business environment, ESOP culture and communications are more important than ever. With that in mind, our team has meticulously curated a program to help you drive a sustainable, impactful culture and provide you with the tools to maximize your effectiveness in communicating with employee owners and external stakeholders.

If you're interested in public affairs and advocacy, TEA National's Washington, DC location offers you an insider's view of the inner workings of our government. This is a one-of-a-kind opportunity to hear directly from members of Congress and senior government officials about the

major legislative and regulatory issues impacting ESOPs. And by attending TEA National, our Advocacy Day, and Congressional reception, you'll get to meet and network with members of Congress, their staffs, and other government officials and dignitaries. No other ESOP-related association offers this unparalleled access to your elected representatives.

And when you're not participating in conference activities, Washington is an amazing place to be in the springtime. In addition to beautiful weather, iconic monuments, and world-class dining and shopping, you can also see the Declaration of Independence, a Tyrannosaurus rex, Monet paintings, and the Apollo 11 module, all of which are within a few blocks of each other!

If you're planning on joining us at TEA National 2023, remember that space is limited, and please register soon. We can't wait to welcome you to our nation's capital on May 16-19!

REGISTER TODAY



Educational Sessions









A Special Thank You.

TEA Members Step Up With Special Project of the Corporate Council

By James Bonham, President and CEO, The ESOP Association

Last year was an extraordinary year for the advocacy efforts of The ESOP Association. But like most good things, it took the work and resources of many to make it happen. I would like to take this opportunity to extend a most heartfelt word of gratitude to a handful of Association members who stepped forward last year to help fund a special working group project of the Corporate Council that will benefit the entire community.

Rolled up into one bill signed by President Biden at Christmas were most of the long-sought aspirations of TEA's advocacy efforts. In that bill, the Department of Labor was required to establish a pro-ESOP office to manage the flow of over \$50 million in funds to the 50 states in promotion of employee ownership over the next five years. S-corporations seeking to become ESOPs were given more equitable treatment under section 1042 of the US tax code. And the DOL was required in the package to finally provide clear guidance on standards and procedures by which good faith, fair market value for company shares to be purchased by an ESOP should be established.

This last piece, known as the "Adequate Consideration Exemption," is the single most important piece of regulatory clarity needed for ESOP creation and operation since ERISA passed in 1974. There is simply nothing more fundamental to ESOPs than the proper valuation of the companies they acquire and own.

However, running parallel to the lobbying campaign has been an equally important working group within the Corporate Council that is using the rights given to The ESOP Association under the Administrative Procedure Act (APA) to force the DOL to provide a notice and comment rulemaking on Adequate Consideration. And while Congress has once again directed the DOL to issue the necessary regulatory guidance, the leverage provided by the APA remains essential to our eventual success. DOL is well known for using bureaucratic roadblocks and delays, but the APA petition provides some leverage for our community to combat those delaying tactics.

The APA allows us to formally petition for a rulemaking, and the agency must either agree to the petition's request or decline and state a reason. But, if they decline, we have

an actionable complaint that can be taken before a judge. Given the posturing we have already seen from the DOL, it is unlikely they will provide a satisfactory response to our petition, or a timely response to Congress' clear desire for a regulation. Therefore, The ESOP Association is making preparations, and is likely just a few weeks away from filing suit and exercising our rights on behalf of our membership.

These efforts have been, up to this point, possible as a result of the generous and voluntary financial support provided by over 15 members of The ESOP Association.

Each made a substantial contribution to fund the APA petition project in 2022. Through their contributions, all in the community have been beneficiaries and we are in a stronger position to enforce the congressional mandate on Adequate Consideration.

These companies are recognized in this report on the next page, and I ask all of you to express your thanks to them with me.

We simply could not afford these and our other major advocacy activities if it wasn't for our members recognizing their importance and providing the resources to wage these campaigns in the strongest possible manner. Retaining top-tier talent for our legal activities alone would be prohibitively expensive if not for donations to our Corporate Council, much less for all the other advocacy work of the Association.

Our advocacy efforts have again redoubled in 2023. As I've already noted, we are currently planning next steps for our DOL petition, and we must also work to consolidate the gains we made last year in the Congress. There's so much work to be done, and we need to keep up the fight. If you care about the future of ESOPs and employee ownership, please consider making a contribution to our Corporate Council. Please contact Nicole Reppert at nreppert@esopassociation.org if you would like more information.

I'd like to thank our new Corporate Council members who have already contributed in 2023, and I sincerely hope your ESOP will join us in this worthy cause.

THANK YOU!

Please join the Public Policy Council and the Board of Directors of The ESOP Association in thanking the following Association members for their generous financial support in 2022 of the Working Group on Adequate Consideration and for the Corporate Council advocacy efforts. These special projects provide an important form of strategic support that is proving necessary to secure regulatory clarity from the U.S. Department of Labor. Something that has been much needed since 1974.

Member contributions to our Corporate Council such as these have become a central component of TEA's advocacy. We extend a heartfelt Thank You to the members who went above and beyond in 2022.

ALERUS FINANCIAL, N.A.

AMBROSEADVISORS, LLC

ARGENT TRUST COMPANY

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STOUT

THE DUFF & PHELPS OPINIONS PRACTICE OF KROLL, LLC

TI-TRUST, INC.

VERIT ADVISORS, LLC





WELCOME

to our 2023 Corporate Council members.

















Learn more about the TEA Corporate Council or join and contribute today by visiting: esopassociation.org/advocacy/corporate-council

TEA Honored With Four National Awards At Annual Salute to Association Excellence

In March, TEA was honored with four TRENDY Awards, a national Communications & Marketing competition sponsored by Association Trends and CEO Update.

TEA was competing against some of the largest and most powerful trade and industry associations in the U.S., and earned awards in each of our four entries, including a Gold in the Best Monthly Newsletter category for the ESOP Report!

The awards were presented during the annual Salute to Association Excellence ceremonies in Washington, DC, a celebration honoring the brightest stars in the association and nonprofit community.

Samples of TEA's award-winning entries are below!









Annual Awards for Communications Excellence

Now Open: AACE and EOM Poster Competitions

For decades, the AACE Awards have put a spotlight on the best communicators in our community.

This is your time to shine!

Entering is completely free and winners receive a free registration to the Employee Owned Conference in Las Vegas. Plus, your communications will help guide your peers as they build out their communications strategies.

Make sure to read the rules and guidelines for this year's seven categories. Please note, the entry form for AACE is now digital.

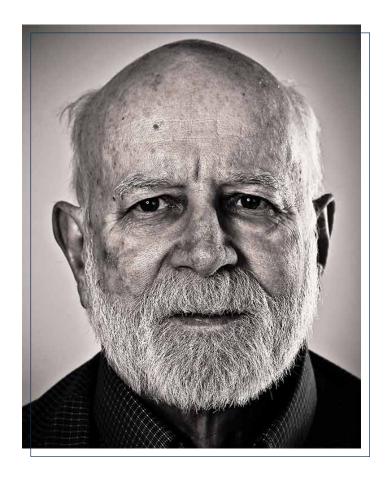
AACE Award information:

esopassociation.org/awards/the-aace-awards

Contact:

Jen Edwards
Vice President, Member Services
jedwards@esopassociation.org
202-293-2971





IN MEMORIAM

BILL PARKS

The ESOP Association and the employee ownership community were very saddened by the passing of Bill Parks in March. Bill was the founder of Northwest River Supplies in Moscow, Idaho, a company he founded in 1972 with \$2,000 from his savings. NRS became 100 percent employee-owned in 2014, preserving Bill's passion for river running and belief that a company could aspire to have a positive impact on the lives of its customers and employees, and to be a force for good in the world.

But Bill was much more than a business owner. To learn more about Bill's life and legacy, please read about his inspirational story on the NRS website.

Our thoughts are with Bill's family and the employee owners at NRS.

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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EMPLOYEE OWNERSHIP ACTION NETWORK

Join the leading grassroots advocacy network ensuring that employee ownership grows and thrives in the U.S. It's easy and important for your business!

To join, simply scan with your smart phone.



OR

Go to esopassociation.org/eoan

Why it matters

- ★ You, a passionate supporter of employee ownership are the single most important voice in Washington. Lawmakers want, and need, to hear from you and they respond to stories and messages from the people they represent.
- ★ EOAN provides a unified and energized voice for our community and creates dialogue for future issues.

How it works

- ★ As an EOAN member, you will be provided real time advocacy alerts on issues impacting our community.
- ★ In many cases we will send you an email, where you can follow a few simple steps to immediately generate a message from you to your elected official.



ADVISE. ADVOCATE. ADVANCE.

What is ESOP PAC?

ESOP PAC is the voluntary, non-partisan Political Action Committee (PAC) of the ESOP Association. ESOP PAC is the oldest political entity specifically charged with supporting pro-employee ownership elected officials.

Formed in 1988, ESOP PAC allows our members and the larger employee ownership community to pool small personal contributions from thousands of donors into larger donations. These donations help elect and re-elect federal candidates to Congress who promote the employee ownership agenda.





For more information, please contact:

Nicole Reppert at 202-293-3661 nreppert@esopassociation.org



Welcome New Members!

The ESOP Association would like to welcome our new corporate members that joined in February 2023.

California/Nevada Chapter:

Life-Assist

Heart of America Chapter:

 West Plains Bank and Trust Company

Illinois Chapter:

Marguette National Corporation

Indiana Chapter:

- Banning Engineering
- Ferrer Mechanical Services Group

Michigan Chapter:

Speedtrack Products Group

Mid-Atlantic & Carolinas **Chapter:**

- ERAS, Inc.
- The Conafay Group

Northwest Chapter:

Hunter-Davisson, Inc.

Ohio/Kentucky Chapter:

ADR & Associates, LTD



Please take a moment and reach out to welcome your fellow ESOP members. You can search for these and all members in the Membership Directories here: esopassociation.org/directory

You must be logged in to your membership record to access.

You can also reach out on your chapter network on The HUB!





The ESOP Association congratulates Jack Fitzgerald for his visionary leadership, and the new employee owners of Fitzgerald Auto Mall on their transition to a 100% ESOP!

TEA Chapters Ramp Up Spring Conferences in March

March was a busy month for TEA's Chapter Program, which sprang into the new year with in-person conferences and events throughout the nation! In March alone TEA Chapter Officers, Programming Committees, and Chapter Executives hosted a total of 18 Chapter events, with more to come in April.

So far, TEA's spring chapter events have hosted more than 1,900 employee owners and ESOP professionals. Our Chapter and regional conferences are the perfect opportunity for attendees to receive top-tier guidance and education on ESOP technical and cultural issues and network with their peers without having to travel too far from home. In addition, our spring events also recognize annual Chapter award winners as well as provide an opportunity for attendees to get up to speed on TEA's many advocacy efforts in 2023.

TEA's hardworking Chapter teams are right back at it in April, hosting events for the Texas/Oklahoma, New England, Iowa/Nebraska, Michigan, and Minnesota/Dakotas chapters. In addition, planning for summer and fall TEA Chapter events is already underway! Be on the lookout for speaker proposals for this year's fall events, and if you have a topic idea please reach out to your Chapter Executive.

It was great seeing so many of our members at our spring Chapter meetings and we look forward to seeing many more of you at both our National and Fall Chapter events. Be sure to check out our events calendar regularly and register for TEA's upcoming chapter events.

> Want to check out more of the chapter spring conference photos?

> > Visit The ESOP Association Flickr.























This unique opportunity will get your brand in front of local ESOPs and allows you to reach businesses that need your services.

To learn more, please contact a chapter exceutive. View all Chapter Event Sponsorship opportunities on the ESOP website at: esopassociation.org/ chapters/sponsorship



The ESOP Association Chapter & Regional Events

APRIL

TEXAS / OKLAHOMA SPRING CONFERENCE

April 5-6

Oklahoma & Texas Sheraton Arlington Hotel Arlington, TX

NEW ENGLAND CEO CONFERENCE

April 6-7

Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, & Vermont Castle Hill Inn Newport, RI

MICHIGAN SPRING MEETING

April 11

Michigan Lansing Center Lansing, MI

MINNESOTA / DAKOTAS BOD CONFERENCE

April 12 - NEW DATE

Minnesota, North Dakota, & South Dakota DoubleTree Bloomington -Minneapolis South Minneapolis, MN

MINNESOTA / DAKOTAS WINTER CONFERENCE

April 13 - NEW DATE

Minnesota, North Dakota, & South Dakota DoubleTree Bloomington -Minneapolis South Minneapolis, MN

JUNE

MINNESOTA / DAKOTAS SUMMER MEETING

June 1

Minnesota, North Dakota, & South Dakota Double Tree West Fargo Fargo, ND

NEW ENGLAND CFO CONFERENCE

June 7-8

Bedford, NH

Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, & Vermont The Bedford Village Inn

IOWA / NEBRASKA GOLF OUTING AND ROUNDTABLES

June 8

Iowa & Nebraska Waveland Golf Club Des Moines, IA

ROCKY MOUNTAIN LET'S TALK ESOPS - ARIZONA

June 13

Arizona, Colorado, New Mexico, Utah, & Wyoming Crisis Preparation and Recovery, Inc. Tempe, AZ

ROCKY MOUNTAIN LET'S TALK ESOPS - UTAH

June 14

Arizona, Colorado, New Mexico, Utah, & Wyoming CA Engineering Draper, UT

ROCKY MOUNTAIN LET'S TALK ESOPS - COLORADO

June 15

Arizona, Colorado, New Mexico, Utah, & Wyoming GH Phipps Construction Companies Greenwood Village, CO

WISCONSIN SUMMER MEETING

June 15

Wisconsin Lambeau Field Green Bay, WI

ROCKY MOUNTAIN LET'S TALK ESOPS - NEW MEXICO

June 27

Arizona, Colorado, New Mexico, Utah, & Wyoming Jaynes Corporation Albuquerque, NM

ILLINOIS CHAPTER 2023 GOLF OUTING

June 28

Illinois Bloomingdale Golf Club Bloomingdale, IL

JULY

MINNESOTA / DAKOTAS GOLF & ROUNDTABLES

July 20

Minnesota, North Dakota, & South Dakota Bunker Hills Coon Rapids, MN

OHIO / KENTUCKY THOROUGHBRED CONFERENCE

July 25 - NEW DATE

Ohio & Kentucky
Embassy Suites Lexington/UK
Coldstream
Lexington, KY

AUGUST

NEW ENGLAND HR CONFERENCE

August 8-9

Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, & Vermont Sebego Technics South Portland, ME

SEPTEMBER

TEXAS / OKLAHOMA FALL CONFERENCE

September 13-14

Oklahoma & Texas Embassy Suites OKC Downtown/ Medical Center Oklahoma City, OK

MULTISTATE REGIONAL MEETING September 13-15

Delaware, New Jersey, New York, & Pennsylvania The Desmond Crowne Plaza Hotel Albany, NY

MIDWEST REGIONAL CONFERENCE

September 20-22

Illinois, Iowa, Kansas, Missouri, Minnesota, Nebraska, North Dakota, South Dakota, & Wisconsin Doubletree Bloomington Minneapolis, MN

CALIFORNIA / NEVADA GOLF OUTING

September 27

California & Nevada Lakeridge Golf Course Reno, NV

CALIFORNIA / NEVADA ANNUAL CONFERENCE

September 27-29

California & Nevada Grand Sierra Resort & Casino Reno, NV

MID-ATLANTIC & CAROLINAS CHAPTER FALL CONFERENCE

September 28-29 (tentative)

Maryland, Virginia, Washington, DC, West Virginia, North Carolina, & South Carolina Chapel Hill, NC

OCTOBER

FLORIDA FALL CONFERENCE

October 5-6 (tentative)

Florida

Orlando, FL

NEW ENGLAND FALL CONFERENCE

October 4-5

Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, & Vermont MGM Springfield Springfield, MA

ROCKY MOUNTAIN FALL CONFERENCE

October 11-12 (tentative)

Arizona, Colorado, New Mexico, Utah, & Wyoming Denver, CO Area

GREAT LAKES REGIONAL CONFERENCE

October 16-18

Indiana, Kentucky, Michigan, & Ohio Kalahari Resort Sandusky, OH

NOVEMBER

MINNESOTA / DAKOTAS WINTER MEETING

November 30

Minnesota, North Dakota, & South Dakota Hilton Garden Inn Sioux Falls Sioux Falls, SD

Check Out Other Chapter Events!

In addition to attending YOUR chapter events, you can also go to ANY chapter event! This is extremely beneficial for ESOP member companies who have branches or locations in different areas around the United States. Have them join a chapter conference that is closer and more convenient. When you are a member of The ESOP Association, chapter events are open to ALL members. Since some of these conferences are more convenient, they can provide an opportunity for your employee owners to still participate in ESOP education and networking which will bring benefit to your company in spreading communication on ownership culture. Additionally, if you are looking to offer leadership opportunities for your employees, have them join a chapter committee. All TEA chapters have volunteer opportunities available for potential leaders in your organizations. The local chapters are appreciative of the help and it will keep employees engaged in local activities.

Avoid the Empty Promise of Ownership

By Kyla Alterman, Workplace Development, Inc.

Is your ESOP providing the promised employee motivation, enhanced customer satisfaction and improved profitability? If no, you're not alone. While studies have demonstrated ESOPs can be powerful tools to strengthen company performance and employee morale and retention, these results are only achieved if stock ownership is combined with a strong employee-owned culture.

It's never too late to start or improve the tools you use to get the most out of shared ownership.

Frequently communicate your ESOP to employees

Have you ever heard the old marketing adage that a person needs to see or hear something seven times before they will act? For ESOP companies, that means repeating information about your ESOP many times in different ways. Start with what your company already does to communicate with employees. For example, if employees have weekly meetings with a supervisor or quarterly all-team gatherings, can you add 5-10 minutes of ESOP or business training into those meetings? Communicate in different ways to capture the attention of as many employees as possible and appeal to all learning styles. Use a mix of written, visual and audio materials and include interactive activities during in-person and virtual events.

Putting effort into frequent ESOP communication will pay dividends when your employees feel the cultural difference of being a part of an ESOP.

Be clear about employee owner roles and responsibilities

There are many ways to make employees feel like owners, but the first step is to set them up with realistic expectations. Training employees on their rights and responsibilities enables them to understand what employee ownership is at your company and what it is **not**. If roles and responsibilities are not addressed at your ESOP, it can lead to misunderstandings and dissatisfaction among



employees who thought they would have more input and control of the company like they do with owning a house or car. When employees understand what they have influence over and what they do not, it leads to better results and a happier workforce.

Opportunities like an ESOP committee or employee work teams can provide additional avenues to strengthen your ownership culture, but the key is to be realistic with expectations. If you create a committee or work team, be specific about the goal of the group and if the committee has ultimate decision-making capabilities or is simply advisory. Both forms of participation are valid and beneficial, but leadership must be clear on which type it is. To keep up morale, make sure participation boundaries are set and communicated to all.

Improve communication about performance

The surest way to get employees to start thinking and acting like owners is to communicate, "How are we doing?"

For some companies the story is told using financial results - some would call this open book management. If that's not for you, there are other techniques you can adopt for greater business transparency. Regularly sharing some performance results will help employees understand

how their daily work contributes to the bottom line. Annual statements and stock-value activities are another opportunity to tell the business story. Make these numbers mean something by offering business training to ensure everyone is speaking the same language. Interactive learning games can explain and solidify these concepts for employees. An employer who shows you how you matter, brings you into the story and shares successes with you is a company that can attract and keep talented individuals looking for more purpose. People stay in jobs where they feel like they belong.

Make sure you have the right people in the right seats

To borrow a metaphor from the book Good to Great, an ESOP company needs the right people in the right seats on the bus to be successful. That starts with the management team. Does your leadership team believe that employee owners can have an impact on improving performance

in job-level actions, or do they see employee input as a burden? Do they accept the challenges and headaches of running a participatory business or do they function like feudal lords dominating their fiefdoms? Do all members of the management team share these core values? Think over these questions and consider if your current management team is an asset or an obstacle to the ownership culture you want to foster.

When you become employee owned, the ESOP gives you an opportunity to manage the firm in a different way. Not just talking about employees as assets, but believing they are and treating them as skilled, professional adults. Leaders who invest in employees, raise them up, recognize their good work, and welcome feedback create the kind of place where people want to remain.

Building a company of informed, involved employee owners takes time, effort, and action. Commit to making ownership more meaningful at your company so there is no chance it could be perceived as an empty promise.



TEA's NEW STAFF MEMBER

Heather comes to TEA with over 20 years of experience in administration and meetings

& events. Previously working with FMI-The Food Industry Association for nearly 17 years and the National Association of Social Workers for 10 years, Heather enjoys building events from "concept to concrete". She lives in the Washington, DC area with her husband Larry and her beagle Teddy Graham Cracker "Graham", and is the proud grandmother of two. Her passions include walking, yoga, and water & beach activities.





The ESOP Association National Events

To learn more and register for the ESOP Association's events, visit esopassociation.org/events.



NATIONAL CONFERENCE 2023 May 16-19, 2023 | Washington, DC

The premier event for ESOP culture, communications and advocacy! Meet your elected officials, network with your peers, and learn from award-winning keynote speakers and the best communicators in the ESOP community. All while participating in fun activities you can only do in DC.



CEO SUMMIT 2023 August 20-22, 2023 | Sonoma, CA

Join and network with your fellow ESOP CEOs at our world-class program designed to prepare you to face your toughest challenges. Learn from leading keynote speakers and strategize at expert-led, specialized roundtables to develop solutions for the most pressing issues.



EMPLOYEE OWNED 2023 November 8-10, 2023 | Las Vegas, NV

The world's largest and premier Employee Ownership event. With world-class speakers, networking and educational opportunities, this is one conference you can't afford to miss!



THE PROFESSIONALS' FORUM 2024 February 7-9, 2024 | New Orleans, LA

Join others who provide professional services to ESOP companies—including valuation, legal, and tax advice—at this special, interactive event. Compare notes on best practices and the latest legal and regulatory happenings.

Stories

My Journey **Through Employee** Ownership

By Jeffrey S. Gelburd

Jeff, a graduate of York College of Pennsylvania, is a recently retired executive of Murray Insurance Associates who now serves as a Murray consultant. He is the founder of the ESOP Executive Liability Insurance Program as well as founder of a professional liability insurance program sponsored by American Society of Appraisers (ASA).

Jeff can be reached at jgelburd@murrayins.com

Shortly after college, what started as a casual interest in employee ownership, turned into a lifetime career and journey that has paid many dividends to me as well as other employee owners.

My journey began as a 25-year-old, having just taken a position as an insurance and risk manager with DENTSPLY International, Inc. At the time, DENTSPLY was headquartered in York, Pennsylvania, and was the world's largest manufacturer and distributor of dental supplies and equipment, with operations around the globe. It was a great opportunity for me, and I eventually moved to the company's Finance department to take on other responsibilities including employee benefits and international insurance programs.

Within the first year of taking the new position, I attended a national conference in Washington, DC, hosted by Risk and Insurance Management Society (RIMS). It was a week-long conference, with the first half of the week involving sessions on property and casualty insurance and the second half employee benefits. It was during the second half that I walked into the session, "Employee Stock Ownership Plans or ESOPs". It wasn't on my agenda for the day, but the title intrigued me.

DENTSPLY did not have an ESOP but, later that year, took themselves private and started an ESOP to stave off a takeover attempt by a smaller company in Palo Alto, CA. The ESOP was announced to their U.S. employees that December and became effective January 1 of the following year. This was exciting news and the beginning of a long, successful journey for the 1,000 domestic employees.

Employees were skeptical at first and the termination of a lackluster pension plan wasn't received favorably. In fact, the older, longer-term employees thought the acronym ESOP should mean "Executives Stole Our Pension." However, after seven years of annual contributions of 25% and favorable stock growth out of the gate, the skepticism quickly vanished.

During my tenure at DENTSPLY, my involvement with the ESOP increased to include assisting with plan administration, financial reporting, and annual allocations. I was asked to read, "The Capitalist Manifesto" by Louis Kelso. In reading this book, the message became abundantly clear to me that ESOPs were the best way for an employee to gain wealth and a more secure retirement. DENTSPLY's CEO/President had a goal of bringing its foreign employees into employee ownership in countries where permitted. I assisted in the formation of the first ever ESOP or superannuation plan in Australia that held employer stock. With the help of tax, legal, and benefit consultants, the plan was written so it would be considered a qualified retirement plan in Australia yet not be considered a public stock offering. ESOPs and similar plans were later formed in Canada, Switzerland, and United Kingdom. DENTSPLY became members of The ESOP Association (TEA) early on

and I often relied on the staff at TEA to obtain statistics and other information on employee ownership to help create communications that would be shared with the employees in these countries.

Five years later, I left DENTSPLY to take a position with a company that became a global insurance broker. At the time, DENTSPLY's stock price had grown annually to the point that, after 20 years, the average employee who was there at the inception of the ESOP had 19 times their annual earnings in their ESOP. Although DENTSPLY returned to being a public company, the ESOP still exists today. Even with the old vesting rules, I was able to receive a handsome distribution on the 10-year anniversary of my date of hire into my newly-formed IRA that would help with my future retirement.

My journey with ESOPs, however, didn't end there. Soon after becoming an insurance broker, I contacted TEA to see if they would be interested in offering a fiduciary liability insurance program to their membership. Fiduciary liability insurance, as well as Directors and Officers liability insurance, was difficult for most ESOP companies to obtain. The first and only ESOP Fiduciary/D&O liability insurance affinity program was formed in 1989 and continues to serve hundreds of ESOPs today and has been endorsed by TEA since 1989.

My ESOP knowledge and ability to educate insurance companies regarding their value paved the way for AIG and Great American to offer coverage to ESOP companies on a national basis. The ESOP affinity program grew with each year and was instrumental in helping companies form their ESOP, with the knowledge that this insurance was obtainable at a reasonable cost. The first ESOP that purchased this coverage in January 1989 is still present today. I spent the next 30 years traveling around the country, speaking at various TEA chapter meetings and annual meetings regarding this insurance and educating ESOP companies to be smarter purchasers of this insurance.

I had the opportunity to join a regional employee-owned insurance broker in Lancaster, Pennsylvania, in 2007 and continue my involvement with the ESOP affinity insurance program. I never thought I would have another opportunity to work for an employee-owned company but joining Murray Insurance Associates enabled me to share my knowledge of employee ownership with their 160-employee-owned agency. Murray's ESOP had been formed about

15 years earlier and I soon became involved with their ESOP communications committee, where Murray won several awards at the national annual conference in Washington, DC. I helped coin the phrase "employee-owned; client-focused" that was on every Murray business card. I later assisted with setting up communications committees with other newly-formed ESOP companies in the region and became an internal trustee of Murray's ESOP until the company was sold to a national insurance brokerage firm, AssuredPartners, in 2021.

I am a firm believer that, if you are provided an opportunity that was afforded to you, efforts should be made to pay it back. In the early 1990s, I helped establish the Pennsylvania/Delaware Chapter of TEA, along with Don Rongione of Bollman Hat Co., Tony Campisi of The Glatfelter Group, and Schadler YESCO. I later become President of this Chapter and then Trustee of the Employee Ownership Foundation (EOF), as well as a member of the Board of Governors of TEA and a member of the fiduciary committee within TEA.

During my 40+-year involvement with ESOPs, I have met many wonderful employee owners of tremendous ESOP companies, along with countless ESOP professionals who all share the same enthusiasm about employee ownership. I do not pass up any opportunity to ask employees of ESOP companies about their experience working for an employee-owned company and I try to hire or purchase from employee-owned companies when I can. It truly is a great experience to help a great cause and a growing movement across the country.

The culture of an employee-owned company is unique and fosters the success and growth of the ESOP company. Having worked for two ESOP companies and having several hundred ESOP companies as clients, I can honestly say that my career in employee ownership has been a wonderful experience. I could not have imagined a more rewarding journey than employee ownership. ESOPs are truly a good thing, and we need to do our part in communicating to the public and professions that ESOPs are the best way for employees to obtain their wealth for a more secure retirement.

If you want to be part of the growth of the ESOP movement throughout the country, please help by donating to the Employee Ownership Foundation through its website, www.employeeownershipfoundation.org

Ritchie Industries, Inc. Named Iowa Small **Business Exporter of the Year!**



The ESOP Association is thrilled to report that the U.S. Small Business Administration (SBA), the cabinet-level federal agency responsible for promoting small businesses, has named TEA member Ritchie Industries as the Iowa Exporter of the Year! The company also earned top honors as the SBA's Regional Exporter of the Year in Region 7, which includes all of Iowa, Kansas, Missouri and Nebraska.

Ritchie Industries, located in Conrad, Iowa, is the largest manufacturer and distributor of the most complete line of animal and livestock watering equipment in North America. Ritchie has been in business for more than 100 years, and has been 100 percent employee owned since 2004. President and CEO Robert Amundson joined Ritchie as a design engineer in 2006 and has since worked his way up to the top of the company's leadership.

"We are super excited to have been chosen as the Iowa SBA and Region 7 Small Business Exporter of the Year," said Robert Amundson, President and CEO of Ritchie Industries. "This means so much to our Ritchie team and validates the hard work they have put in during these extremely challenging past couple of years. We are very proud of our business and are grateful to be part of a community and state that is so driven to help direct and guide businesses to achieve success in exporting. We're also proud to be an Iowa small business and appreciate the opportunity to showcase our small business that does business worldwide."

According to the SBA's announcement, exporting represents over 22 percent of Ritchie's sales, with products being exported to Canada, Europe, Japan, and the Middle East. Most of the sales to Canada, Europe and Asia are for larger units that are used in cattle and dairy operations.

The SBA's announcement continues: "Ritchie utilized the SBA's State Trade and Export Promotion (STEP) Grant Initiative to grow its export sales. Services under the STEP Program are funded in part by SBA nationally and delivered by state government organizations. In Iowa, the Iowa Economic Development Authority (IEDA) leverages the federal funding with an existing IEDA program to support small business' specific marketing efforts and expand their export markets. Last fall Ritchie used the program to participate in the Iowa pavilion at EuroTier 2022, in Hanover, Germany, the world's leading trade fair for professional animal farming and livestock management.

"The SBA Iowa District Office is thrilled to recognize Ritchie Industries' success during National Small Business Week," said Jayne Armstrong, district director of the SBA's Iowa District Office. "It is a great example of the economic impact Iowa's rural manufacturers have on international markets. We are especially proud to collaborate with IEDA to support the state's successful export efforts."

Has your ESOP done something newsworthy? Has the company or an employee owner won any awards or achieved special recognition? Let us know! We'd love to feature you in future editions of ESOPs in the News.

Send your ESOP news to Demetrios Karoutsos at dkaroutsos@esopassociation.org.



Why do it alone?

ESOP companies are better off having coverage with an insurance affinity program in all market conditions.

The affinity program can be accessed directly or through your local agent.



The ESOP Association has endorsed

Murray's Executive Liability Insurance Affinity Program since 1989.



Patrick Dixon, Program Manager pdixon@murrayins.com | 717.205.0268



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Benchmarking Limits of Liability for ESOP Companies



Patrick Dixon Program Manager Murray

Background

In January of 2023, the ESOP Affinity Insurance Program has entered into its 34th year of offering Directors & Officers (D&O), Fiduciary Liability and Employment Practices Liability (EPL) as well as Crime and Cyber Liability insurance is now provided. This insurance affinity program is the only of its kind for ESOP companies. Initially only providing Fiduciary insurance, the program expanded over the years to include additional insurance coverages and has been endorsed by The ESOP Association since its inception. This Program is administered by Murray Insurance Associates, belonging to the AssuredPartners Group of independent insurance agencies. Also, it is offered directly to ESOP companies and their local insurance agents nationwide and has grown to over 350 ESOP companies. The ESOP Affinity Insurance Program's insurance is provided by Great American Insurance Group, one of the top 10 providers of this insurance as well as other highly rated insurance companies.

We are often asked by ESOP companies to provide advice on what insurance policy limits they should purchase for these coverages. This report is an update of previous benchmarking reports provided within the last 15 years and will ultimately help provide answers to these questions for ESOP companies. This is the only benchmarking report strictly based on ESOP company data and obtained from the over 350 policyholders in this affinity insurance program.

While there are no formulas or ratios that can help answer the questions on appropriate policy limits, the data available to us is the best resource to help ESOP companies with this question. Our research provides the answers based on corporate and plan asset size as well as employee count. We also take into account that these policies can be purchased where the limits for these coverages are provided on either a "shared" basis (shared among the D&O, Fiduciary and EPL coverages) or "separate" basis (thereby providing more insurance protection to the ESOP company.

Finally, when considering an appropriate policy limit, the ESOP company should take into account that the defense costs commonly paid by these policies for legal fees to defend the policyholder on a covered claim are paid "within" the policy's limits. Therefore, this will erode the limit as these fees are paid. We have seen where defense costs can typically erode at least half of the policy limit or even the entire limit!



Jeffrey S. Gelburd Murray

Separate or Shared Policy Limits?

When purchasing D&O, Fiduciary and EPL together in one insurance policy, purchasers must choose whether they wish to have their policy limit apply separate for each of the coverages being purchased or on a shared basis. A good way to differentiate this is by the limits are stacked on a separate basis e.g., a \$1m separate D&O and Fiduciary limit would provide \$2m in aggregate coverage versus a total of \$1m on a shared basis. The policy premium is generally higher if purchasing the policy limits on a separate basis, however, separate policy limits provide the ESOP company with more coverage and may be a better cost alternative to purchasing higher policy limits.

A review of the recent data reveals the trend towards purchasing *separate* limits. The recent data reveals that 60% of those purchasing these coverages are doing so on a separate basis versus 40% who are purchasing their limits on a *shared* basis.

Provided below is a breakdown of the limits of liability being purchased among the three (3) coverages utilizing common underwriting data from insurance companies. They are "corporate assets" for D&O, "plan assets" for fiduciary liability and "employee count" for EPL. During our review and as expected, as corporate and plan assets increase in size, the greater the percentage of ESOP companies purchasing higher policy limits of liability. The same holds true for ESOP companies having a greater number of employees or plan participants. The categories we used to compare the limits of liability being purchased for D&O and Fiduciary Liability are broken down as follows:

- I- corporate or plan assets less than \$10MM
- II-corporate or plan assets of between \$10MM-\$25MM
- III-corporate or plan assets of between \$25MM-\$50MM
- IV-corporate or plan assets greater than \$50MM

Directors and Officers (D&O) Liability: The findings for the D&O study, based on corporate asset size were as follows:

- 77% of ESOP companies in <u>Category I</u> have D&O limits of \$1MM and 20% have limits of \$2MM. 3% have limits of between \$3MM-\$5MM.
- 74% of ESOP companies in <u>Category II</u> have \$1MM in D&O limits with 19% having \$2MM limits and another 7% having their limits between \$3MM-\$5MM.
- 37% of ESOP companies in <u>Category III</u> have limits of \$1MM with 28% having \$2MM in limits. 35% within this category have limits of between \$3MM-\$5MM.
- 79% of the ESOP companies in <u>Category IV</u> have limits between \$3MM-\$5MM. This is a significant increase from when this data was last analyzed three years ago. Two companies with corporate assets above \$50MM maintain limits of \$10MM.

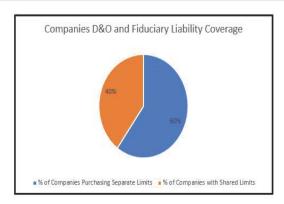
Fiduciary Liability: The findings for the fiduciary study, based on plan asset size were as follows:

- 73% of ESOP companies in <u>Category I</u> have Fiduciary limits of \$1MM while 20% have limits of \$2MM. Only 7% of ESOP companies within this category have between \$3MM-\$5MM.
- 56% of ESOP companies in <u>Category II</u> have \$1MM in Fiduciary limits while 21% have a \$2MM limit. 23% have limits between \$3MM-\$5MM.
- 40% of ESOP companies in <u>Category III</u> have a limit of \$1MM and 34% have a \$2MM limit.
 26% have limits of between \$3MM-\$5MM.
- 64% of those ESOP companies within Category IV have limits between \$3MM-\$5MM. 20% have a \$2MM limit while the balance(16%) has a \$1MM limit.



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Benchmarking Limits of Liability for ESOP Companies



Employment Practices Liability

For an accurate comparison of what limits of liability ESOP companies are purchasing, we use the employee count at each company. This is how insurance company underwriters determine premium and retention levels when quoting this type of insurance.

The categories we have used are as follows:

- I- less than 50 employees
- II-between 50-100 employees
- III-between 100-250 employees
- IV-over 250 employees

The findings for policy limits for Employment Practices Liability are as follows:

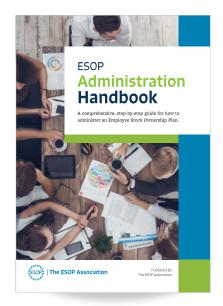
- 73% of ESOP companies with less than 50 employees (Category I) have a \$1MM limit. 20% in this category have a limit of \$2MM and the balance, 7% have limits of between \$3MM-\$5MM.
- 69% of ESOP companies with between 50-100 employees (Category II) of a \$1MM limit, while 15% carry their limit at \$2MM, and the balance (16%) of ESOP companies in this category, have their limits between \$3MM-\$5MM.
- 43% of ESOP companies with between 100-250 employees (Category III) carry a \$1MM limit. 32% of ESOP companies in Category III carry a \$2MM limit, while the balance of ESOP companies or 25% have between \$3MM-\$5MM.
- 29% of ESOP companies in Category IV (over 250 employees) have a \$1MM EPL limit while 24% in this category have a \$2MM limit. Close to half of ESOP companies in this category (over 250 employees) have EPL limits between \$3MM-\$5MM.

A Word About Policy Retentions

Often the self-insured retentions on a policy providing D&O, Fiduciary, and/or EPL insurance are primarily determined by the insurance company underwriter. The retention chosen by the underwriter is often times determined by the size of the corporate assets, plan assets or employee count.

On average, the self-insured retentions for fiduciary liability are between \$1,000 and \$25,000 while for D&O and EPL, retention amounts are between \$5,000 and \$35,000. It is important to note that there generally is not much premium savings by increasing these retentions.

For more information on the findings in this report as well as obtaining an insurance quotation for consideration, ESOP companies (or their local insurance agent/broker) can contact Patrick Dixon (pdixon@murrayins.com) or Jeff Gelburd (jgelburd@murrayins.com).



The ESOP Association Administration Handbook Now Available for Purchase

The ESOP Association Administration Handbook, an essential resource for anyone responsible for administering an ESOP, will take you from the beginning steps of setting up an ESOP through crucial aspects of compliance, all the way to government regulations and reporting.

TEA's Chair of the Advisory Chair's Committee and former Chair of the Advisory Committee on Administration Lori Stuart, Senior Manager, Crowe, LLP, says, "This book is absolutely essential for all ESOP Admins to own. No matter your experience or at what stage your company's ESOP – this book provides every administrator with the resources needed to do their job effectively and efficiently."

Lynn Archer, Sr. Vice President, GreatBanc Trust
Company, and Chair of the Advisory Committee on
Administration says "I'm really proud of the work our
committee has done by giving thoughtful, detailed and
comprehensive instruction on ESOP Administration.
Whether the reader is a novice or a skilled professional
– this Handbook is an essential resource."

The comprehensive handbook includes information and resources to help you with administration issues, record keeping, compliance, and technical topics.

TEA members can purchase this completely revised publication on <u>TEA's website</u> at a significantly discounted rate of \$199 (please be sure you're logged in!)

How Do You Get the Most Out of Your Membership with The ESOP Association?

A great first step to getting the most out of your membership with TEA is to get involved with your local Chapter.

TEA's exclusive 18-chapter network produces more than 150 educational and networking events each year where you can gain new skills or sharpen existing ones. Membership in your local chapter is included with your membership to The ESOP Association.

Getting involved with your local chapter can take many forms:

- Attend a local event all chapters have in-person events in the Spring and in the Fall. These events can take many forms – from full multi-day conferences which can include roundtables for your CEO, CFO, HR professionals or ESOP Committee members, to social events including golf outings or networking receptions. For more information on events at your chapter, visit: https://esopassociation.org/chapters
- Speak at an upcoming event do you have an idea for a topic
 to present? Has your ESOP implemented a Best Practice on
 ESOP Culture? Why not share your experience/success with
 your fellow ESOPs? Contact your local chapter officers, they'd
 love to learn more and possibly schedule a presentation for the
 next chapter conference.
- Get involved on your Chapter's Executive Committee each chapter has an Executive Committee. Members of the Executive Committee develop content for Chapter Conferences, schedule social events, talk with other ESOPs about membership in The ESOP Association or advocate for ESOPs with you state/federal lawmakers.

You can learn more about your how to get involved with your local chapter from TEA's Chapter Staff (Dan Marcue, Rita Tucker, Jodi Lamb or Marilyn Corredoira) or by contacting TEA's Membership Staff at membership@esopassociation.org

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