

ESOP | Report

Volume 41, Issue 2 | The Voice of The ESOP Association | Serving the Entire ESOP Community



Connection, Culture, and Community: Spring Chapter Conferences are Here



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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Texas/Oklahoma Chapter Let's Talk ESOPs - CEOs and CFOs Event



Check out pages 5-7 for a Chapter event near you!

Connection, Culture, and Community: Spring Chapter Conferences are Here



Each spring, our chapters kick into high gear as employee owners, company leaders, trustees, and advisors come together to connect and learn from one another. From half-day seminars and workshops to conferences and roundtables, these local and regional events give ESOP member companies a chance to step away from the day-to-day and focus on the bigger picture—employee ownership.

This year's spring programs are tackling the topics ESOP companies care about most. Attendees are diving into conversations around artificial intelligence, legislative and regulatory updates, fiduciary responsibilities, governance best practices, valuation trends, transaction planning, and repurchase obligation forecasting. At the same time, there's strong focus on building ownership culture, strengthening communication, and increasing employee engagement. The goal is simple: make sure people walk away not just with information, but with practical ideas they can put to work right away.

The Florida Chapter Winter Conference brought that energy to Tampa on February 12th, welcoming attendees for a full day of timely insights and meaningful discussion. A highlight of the event was a visit from Jim Bonham, President and CEO of The ESOP Association, who joined as a special guest speaker and participated in the CFO/CEO Roundtable. Jim shared updates on the Association's advocacy efforts and the evolving legislative and regulatory landscape in Washington, DC, offering a clear look at how federal developments are affecting ESOP companies across

This year's spring programs are tackling the topics ESOP companies care about most.

the country. Jim's insights on what these changes mean for TEA members gave attendees a better perspective on how they can stay informed, engaged, and prepared.

This spring brings even more opportunities. The Minnesota/Dakotas Spring Conference & Roundtables will feature special guest the Honorable Tammy Miller, former Lieutenant Governor of North Dakota. She'll share perspectives on leadership, economic development, and the key issues shaping the Upper Midwest. With experience in both public service and private enterprise, Miller brings a practical outlook on navigating change and positioning organizations for long-term success.

Meanwhile, the Northwest Chapter is heading to Boise for the first time. The Boise conference will include three concurrent session tracks—ESOP 101, technical sessions, and culture & communications—making it easy for attendees to tailor their experience. The new location is already generating excitement and is on track to draw record attendance.

Of course, while the educational sessions are always valuable, the real magic of chapter events often happens in between. Over coffee breaks, lunches, and receptions, member CEOs swap strategy ideas, CFOs and HR leaders compare notes, trustees talk through fiduciary challenges, and employee owners share what's working in their companies. These informal, honest conversations are what truly strengthen our member network and remind everyone they're part of something bigger.



Many chapters are investing in emerging leaders, offering sessions on financial literacy, ownership thinking, and leadership development that help the next generation of employee owners step confidently into larger roles. This focus on people keeps employee ownership strong for the long term while also connecting local members to national priorities. The insights shared at these gatherings inform broader conversations and reinforce a unified voice for employee-owned companies.

As the year moves forward, now is a great time to stay involved, attend an upcoming event, and bring a colleague along. Each chapter gathering is a reminder that employee ownership isn't just a business structure—it's a community built on collaboration, shared learning, and shared success. Through education, connection, and a little spring momentum, that community continues to grow stronger.

For more information about the Spring Chapter events please visit: <https://www.esopassociation.org/events/list> 

New York/New Jersey Chapter 2025 Spring Conference



Show Your Support, Sponsor an ESOP Chapter

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 one of TEA's Chapter Directors and get connected.

Kelly Forester: kforester@esopassociation.org

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View all Chapter Event Sponsorship opportunities on the ESOP website at: [**esopassociation.org/chapters/sponsorship**](https://www.esopassociation.org/chapters/sponsorship)



The ESOP Association

TEA Chapter & Regional Events

CALIFORNIA/ NEVADA

California & Nevada

ESOPportunity - San Francisco

April 14

Recology
San Francisco, CA

ESOPportunity - Inland Empire

April 16

Proponent
Brea, CA

ESOPportunity - Sacramento

April 16

Building Material Distributors (BMD)
Galt, CA

ESOPportunity - Los Angeles

April 22

ACCO Engineered Systems
Pasadena, CA

ESOPportunity - Orange County

April 23

Proponent
Brea, CA

ESOPportunity - Las Vegas

April 23

GCW, Inc.
Las Vegas, NV

ESOP Employee Accelerator

June 12

HdL Companies
Brea, CA

Annual Conference

September 16-18

Atlantis Resort & Casino
Reno, NV



FLORIDA

Florida

ESOP Employee Accelerator

December 1

Vermeer Southeast
Orlando, FL



HAWAII

Hawaii

Spring Lunch & Learn

March 12

The Pacific Club
Honolulu, HI

ESOP Employee Accelerator

June 16

Bowers + Kubota
Walpahu, HI

Annual Conference

October 6

Japanese Cultural Center of Hawaii
Honolulu, HI



HEART OF AMERICA

Kansas & Missouri

Spring Conference

March 4-5

The Fontaine
Kansas City, MO

ESOP Employee Accelerator

June 4

Dialectic Engineering
Kansas City, MO



ILLINOIS

Illinois

Spring Conference

March 17

Double Tree Hotel &
Conference Center Chicago
Downers Grove, IL

ESOP Employee Accelerator

May 14

Parksite
Bolingbrook, IL

Golf Outing

June 24

Bloomington Golf Club



INDIANA

Indiana

Spring Conference

March 10

502 East Event Centre
Carmel, IN

ESOP Employee Accelerator

May 1

Performance Validation, Inc.
Indianapolis, IN



MICHIGAN

Michigan

Spring Conference

March 17

East Lansing Marriott at University
Place
East Lansing, MI



IOWA/ NEBRASKA

Iowa & Nebraska

Central Iowa ESOP Event

March 5

Kinzler Corporation
Ankeny, IA

Corridor ESOPs

March 23

Timberline Manufacturing
Marion, IA

Omaha Roundtables

March 26

Lamp Rynearson
Omaha, NE

ESOP Employee Accelerator

June 5

Wright Service Corp
Des Moines, IA

ESOP Employee Accelerator

August 25

Farmers National Company
Omaha, NE



MINNESOTA/ DAKOTAS

Minnesota, North Dakota,
& South Dakota

Board of Directors Conference

March 25

Crowne Plaza
Minneapolis, MN

Spring Conference

March 25-26

Crowne Plaza
Minneapolis, MN

ESOP On-Site

March 31

Natural Beauty
Sioux Falls, SD

ESOP Employee Accelerator

August 27

ISG
Sioux Falls, SD



NEW YORK/ NEW JERSEY

New York & New Jersey

Let's Talk ESOPs - Greater Albany

March 13

Alltek Energy Systems
Waterford, NY



NORTHWEST

Alaska, Idaho, Montana,
Oregon, & Washington

Spring Conference

March 12-13

The Riverside Hotel
Boise, ID

Let's Talk ESOPs - Washington

June 22

Seattle Gymnastics Academy
Seattle, WA

Fall Conference

October 7-8

Embassy Suites Portland Downtown
Portland, OR



MID-ATLANTIC & CAROLINAS

Maryland, North Carolina,
South Carolina, Virginia,
Washington, DC,
& West Virginia

Spring Conference

March 30-31

Hotel Madison & Shenandoah Valley
Conference Center
Harrisonburg, VA

ESOP Employee Accelerator

May 12

Nielsen Builders and LD&B Insurance
Harrisonburg, VA

CEO/CFO Roundtable

June 2

Springfield, VA

HR Roundtable

August 4

Springfield, VA

Fall Conference

September 15-16

Hilton Raleigh North Hills
Raleigh, NC



NEW ENGLAND

Connecticut, Maine,
Massachusetts,
New Hampshire,
Rhode Island, & Vermont

Board of Directors/Trustee Conference

March 10-11

Sheraton Nashua
Nashua, NH

Spring Conference

March 11-12

Sheraton Nashua
Nashua, NH

CEO Conference

April 9-10

Castle Hill Inn
Newport, RI

HR Conference

August 20-21

BL Companies, Inc.
Meriden, CT



OHIO/KENTUCKY

Ohio & Kentucky

Spring Conference and Advocacy Day

March 3-4

Renaissance Columbus Westerville -
Polaris Hotel
Westerville, OH

ESOP Employee Accelerator

April 16

Allied Mineral Products
Columbus, OH

ESOP Employee Accelerator

April 30

Walker Mechanical Contractors
Louisville, KY



PENNSYLVANIA/ DELAWARE

Pennsylvania
& Delaware



Spring Conference

March 23-24

Sheraton Valley Forge King of Prussia
King of Prussia, PA

ESOP Employee Accelerator

May 19

Avail Technologies, Inc.
State College, PA

Let's Talk ESOPs

July 14

Pittsburgh, PA

ROCKY MOUNTAIN

Arizona, Colorado,
New Mexico, Utah,
& Wyoming



Spring Conference

April 1-2

Hilton Tucson East
Tucson, AZ

ESOP Employee Accelerator

July 15

GH Phipps
Denver, CO

Fall Conference

September 10-11

Embassy Suites Denver Downtown
Convention Center
Denver, CO

SOUTHEAST

Alabama, Arkansas,
Georgia, Louisiana,
Mississippi, & Tennessee



Spring Conference and Roundtables

March 11-12

Atlanta Marriott Perimeter Center
Atlanta, GA

TEXAS/ OKLAHOMA

Texas & Oklahoma



Spring Conference

March 25-26

Austin Marriott South
Austin, TX

ESOP Employee Accelerator

July 17

Stress Engineering
Houston, TX

Let's Talk ESOPs - Dallas

August 4

Cisco-Eagle
Coppell, TX

Let's Talk ESOPs - Oklahoma City

August 5

OKC Hall of Fame
Oklahoma City, OK

Fall Conference

September 30-October 1

Renaissance Dallas North Hotel
Dallas, TX

WISCONSIN

Wisconsin



Advocacy Day

March 3

Spring Conference

March 4

Monona Terrace Convention Center
Madison, WI

Summer Conference

June 25

Brookfield Conference Center
Brookfield, WI

Golf Outing

August 10

Paganica Golf Course
Oconomowoc, WI

Member Showcase

August 21

Weinbrenner Shoe Company
Merrill, WI



MIDWEST Regional Conference

Heart of America | Illinois | Iowa & Nebraska | Minnesota & Dakotas | Wisconsin

MIDWEST REGIONAL CONFERENCE

Illinois, Iowa, Kansas, Minnesota, Missouri,
Nebraska, North Dakota, South Dakota, &
Wisconsin

September 22-24

Iowa Events Center
Des Moines, IA



GREAT LAKES Regional Conference

Indiana | Michigan | Ohio & Kentucky

GREAT LAKES REGIONAL CONFERENCE

Indiana, Kentucky, Michigan, & Ohio

September 29 - October 1

Sheraton Indianapolis Hotel At
Keystone Crossing
Indianapolis, IN

Watch TEA's Chapter Event
Site, [esopassociation.org/
events/chapters](http://esopassociation.org/events/chapters), for more
info.

*We hope to see you
there!*



The Importance and Impact of ESOP Advocacy

By: Jim Bonham, *President and CEO, The ESOP Association*



This November's midterm elections will determine which parties control the U.S. House of Representatives and the Senate in 2027 and 2028. While each of us brings our own political views to the ballot box, ESOP advocacy operates on a different, and essential, principle: advancing employee ownership by supporting leaders who have demonstrated a strong commitment to ESOPs, regardless of party.

That distinction matters. Congressional majorities shift, often rapidly, particularly in today's polarized environment. But the mission of The ESOP Association remains constant—to advocate for policies that strengthen ESOPs and protect employee owners, no matter which party holds power.

Through sustained engagement, and with strong participation from employee owners during our annual ESOP Advocacy Day on Capitol Hill, the Association has helped bridge political divides. Over many years, we have built productive working relationships with lawmakers on both sides of the aisle. And we've also worked to build and strengthen relationships between our members and elected officials. As a result, employee ownership stands out as one of the few issues in Washington that enjoys broad bipartisan and bicameral support.

Through sustained engagement, and with strong participation from employee owners during our annual ESOP Advocacy Day on Capitol Hill, the Association has helped bridge political divides.

Our approach is producing results. Working closely with members of the Senate Appropriations Committee, we secured \$2 million in funding for the Employee Ownership Initiative at the U.S. Department of Labor, signed into law earlier this year. These funds will support state-level efforts to expand awareness of employee ownership and provide technical assistance to businesses transitioning to ESOPs. At the same time, the Retire Through Ownership Act is close to becoming law, which would bring much-needed clarity to initial ESOP transaction valuations, benefiting trustees, valuation firms, and employee owners alike.

These advances would not be possible without ESOP champions in Congress, particularly those serving in leadership roles on key committees such as Senate Health, Education, Labor & Pensions, the Senate Finance Committee, and the House Education & Workforce Committee. Several of these leaders face competitive reelection campaigns this year. Supporting them is not political posturing, it is a practical necessity to ensure continued progress on pro-ESOP policy.

That is the role of ESOP PAC, the Association's political action committee. ESOP PAC exists to provide support to the reelection campaigns of lawmakers who are advancing ESOP legislation, convening hearings, speaking publicly about employee ownership, engaging with federal regulators and building relationships with the Association and our members. Notably, TEA is the only group advocating for all ESOPs that maintains a political action committee.

Individual employee owners fund ESOP PAC because they understand what's at stake—the long term strength of their companies and the retirement security tied to them. Collectively, these contributions allow the ESOP community to speak with a unified voice in support of effective leadership in Congress.

Equally important, ESOP PAC operates intentionally as a bipartisan organization. To help ensure employee ownership never becomes a partisan issue, the PAC contributes nearly equally to Democrats and Republicans in both chambers. We make all contributions fully transparent

and publicly disclose them. For example, during the 2024 election cycle, ESOP PAC supported Senator Ron Wyden (D-Oregon), Ranking Member of the Senate Finance Committee, and Representative Jason Smith (R-Missouri), Chair of the House Ways & Means Committee, leaders on two committees that shape federal tax policy. These decisions hinge on one standard—whether a candidate’s legislative record shows strong support for employee owners, their ESOPs, and the integrity of ESOP companies and plans.

As we closely track the 2026 House and Senate campaigns, we will continue to allocate ESOP PAC resources where they can have the greatest impact for employee ownership.

As we closely track the 2026 House and Senate campaigns, we will continue to allocate ESOP PAC resources where they can have the greatest impact for employee ownership. To learn more about how you or your ESOP can participate in this effort, please contact Greg Facchiano at gfacchiano@esopassociation.org. 



Now Playing



Episode 7 | See You in Court: How an ESOP Founder Challenged the Government—and Won



◀ || ▶



THE
**OWNERSHIP
EFFECT**
WITH JIM BONHAM

**Check out what's playing on
The Ownership Effect:**

What happens when a company does everything right—and still ends up under federal investigation?

On this episode of *The Ownership Effect*, Jim Bonham speaks with Brian Bowers, CEO of Bowers + Kubota, about one of the most consequential ESOP cases in recent history. After becoming an ESOP, Bowers + Kubota became the target of a Department of Labor investigation that stretched on for years.

TheOwnershipEffect.podbean.com



TEA NATIONAL CONFERENCE 2026

MAY 5-8, 2026
WASHINGTON, DC

esopassociation.org/NC26



Elevate Your ESOP Expertise to New Heights

By attending TEA's National Conference, you'll boost your knowledge base, learning from the very best ESOP experts. Get up to speed on the latest trends and best practices to strengthen performance across all job functions, and learn new skills to grow in your career.

Why Attend?

- **Stay Informed:** Get the latest on ESOP policy, trends, and best practices through multiple Learning Tracks and dozens of sessions—ranging from “ESOP 101” fundamentals to the most advanced, high-level content. Hear directly from industry leaders who have successfully navigated today's most pressing ESOP challenges.
- **Grow Professionally:** Build your expertise with interactive sessions, executive-level discussions, and practical roundtables designed to help you sharpen your skills and advance your ESOP career—all while earning valuable Continuing Education Credits.
- **Expand Your Network:** Connect with ESOP leaders, employee owners, professionals, and peers from across the country. Share ideas, build relationships,

and collaborate with the people shaping the future of employee ownership.

- **Advocate for ESOPs:** Make your voice heard on Capitol Hill. Meet with your elected representatives during ESOP Advocacy Day and help protect and strengthen employee ownership for all.
- **Celebrate Excellence:** Join us for the National Awards Celebration, where we honor the ESOP Company of the Year, Employee Owner of the Year, and many others driving impact and innovation across our community.

Special Discount for Advocacy!

Because of the unique importance of this year's advocacy agenda, we are offering a very special discount for joining us for the Association's annual Advocacy Academy and then taking part in ESOP Advocacy Day. To ensure maximum participation in these essential activities, **we are offering a \$150 discount** for the first 200 attendees who register for and participate in both the Advocacy Academy and ESOP Advocacy Day. You must take part in Advocacy Academy to receive the discount. €





AACE Awards Reimagined for 2026



The ESOP Association (TEA) is reimagining its Annual Awards for Culture and Communication Excellence (AACE) for 2026, modernizing the categories and updating the criteria to elevate the program. In recent years, judges observed that the awards felt dated and often prioritized the medium over the message. To address this, the newly proposed awards refocus attention on ESOP Culture, Communication, Education, and Engagement.

Also new this year, the program will accept all submissions electronically, replacing the binders and “science fair” style poster boards used in the past. Each award will continue to recognize a winner and a runner up in two categories: Small ESOP member companies (under 250 employee owners) and large ESOP member companies (over 250 employee owners).

We extend our sincere thanks to former AACE judges Michelle Steltz of Opportunities for Positive Growth, Stacie Roberts of Sentry Equipment, and Christine Perry of Cisco-Eagle for their efforts to create these new awards/ judging criteria.

2026 Award Categories

1. New ESOP Transition Award

A newly formed ESOP member company (within five years of launch) will earn this award for demonstrating excellence in introducing and communicating its transition to employee ownership. The top submission will showcase an inspired event or process and a clear, thoughtful, and employee-centered communication strategy that helps

employees understand not only what an ESOP is, but why the transition matters and how ownership connects to long-term value, culture, and shared success.

2. Best Overall ESOP Education Award

An ESOP member company that delivers a comprehensive, intentional, and well executed approach to employee owner education across the full lifecycle of ownership will receive this award. Judges will review how the organization equips employee owners with the knowledge they need—from their initial introduction to employee ownership through long-term participation and, ultimately, retirement and distribution decisions.

3. Best Overall Employee Ownership Month Celebration Award

This award will commend an ESOP member company that delivered an engaging, inclusive, and meaningful EOM celebration that strengthened understanding, pride, and participation among employee owners. Judges will look for a thoughtful, well-executed approach that effectively celebrates employee ownership across the organization.

4. Best Stock Price Reveal Award

An ESOP member company will receive this award by showcasing how they developed a stock price announcement into a meaningful ownership experience. The winning entry will illustrate how the organization used the stock price reveal—regardless of increase or decrease—to engage employee owners, reinforce transparency, and deepen understanding of the connection between daily work and long-term value.

5. Best Community Engagement Award

This award will go to an ESOP member company that exemplifies how employee ownership strengthens relationships with customers, the local community, and public leaders. The leading submission will reveal how the company actively shares its ESOP story beyond its walls and uses employee ownership as a meaningful differentiator in community engagement and support.

6. Total ESOP Culture and Communications Award

An ESOP member company whose communications clearly reflect and reinforce its overall ESOP culture will take honors for this award. The standout submission will illustrate a cohesive, intentional communication strategy that consistently informs, engages, and inspires employee owners.

Employee Ownership Poster Competition

Every October, TEA and member companies celebrate the spirit of employee ownership. TEA's annual poster competition highlights the poster that best embodies ESOP culture and the values of employee ownership, and we will showcase the winning design throughout our October EOM events and communications.

The program will now accept submissions in PDF format instead of physical poster boards, while keeping the annual poster competition otherwise unchanged.

We look forward to launching this modernized program with updated criteria that reflect the evolving ESOP landscape. Additional details will follow, as the competition will open in March. For questions please contact AACE@esopassociation.org.



TEA's affinity insurance program includes 400 other ESOP companies. Why not consider obtaining an alternative proposal to compare with your insurance protection.

The ESOP Association has endorsed Murray's Executive Liability Insurance Affinity Program since 1989.

Murray

Patrick Dixon, Program Manager
pdixon@murrayins.com 717.205.0268

TEA Advisory Committee Applications Are Open!

The ESOP Association (TEA) has six Professional Advisory Committees, each composed of 25 Regular members and additional Associate members. These committees advise TEA leadership on emerging issues and help plan and present educational conferences and events, focusing on key ESOP topics such as fiduciary matters, finance, and employee ownership culture.

We accept applications every spring. All TEA members may apply to any committee, but may serve on only one. Advisory Committee members contribute to publications, webinars, and events while gaining professional development and networking opportunities. Committee descriptions are available at: <https://www.esopassociation.org/advisory-committees>

Current committee members must reapply; Emeritus members and Past Chairs do not. Members with 15+ years of service should contact Jennifer Edwards to verify. Returning applicants are required to contribute at least \$250 to the Employee Ownership Foundation or the ESOP PAC between May 1, 2025, and April 30, 2026. Please [click here](#) to join/reapply (information auto-populated once logged in).

In selecting Committee members, Advisory Committee Chairs will consider various aspects of your application, including:

- Attendance at TEA national and chapter events, (Applying members must attend two national events to qualify)
- Presentations delivered at TEA events (we will not consider presentations to outside groups)



- Authoring or contributing to a TEA publication, newsletter article, or other similar written, video, or other educational material produced for the benefit of the Association's membership
- Service as a volunteer leader at the Chapter or National level for TEA or the EOF
- Participation in TEA's ESOP Advocacy Day within the prior two years
- Donations to the EOF or ESOP PAC, for reapplying members
- Willingness to receive training on presentations for ESOP Association certification programs

For questions regarding the application process, please contact Jennifer Edwards, VP of Member Services at jedwards@esopassociation.org

The application deadline is March 13, 2026. €

ESOP | Report

YOUR AD HERE

Advertise your company in the ESOP Report. A publication that reaches more than 15,000 employee owners every month.

Learn more at:
esopassociation.org/esop-report-ad

Come Tell Your Story: Advocacy Academy and ESOP Advocacy Day May 5-6, 2026



Do you want to protect one of your most important assets by simply telling your story? There's no better place to make an impact than Washington, DC on May 5-6 for Advocacy Academy and ESOP Advocacy Day at The ESOP Association's 2026 National Conference! You'll have the opportunity to meet with members of Congress and make a real impact on government policies that directly impact your retirement savings! Whether you're new to advocacy or a seasoned champion, we make it approachable, energizing, and genuinely fun.

ESOP Policies

The ESOP policies that you'll be fighting for are more important than ever and easy to understand. ESOP policy priorities are like driving a car: you need rules of the road; access to a road; and safe, hazard-free roads.

For ESOPs, that means three things:

- Rules to value an ESOP
- Access to capital to start or maintain an ESOP
- Protection from private equity's efforts to redefine "ESOPs"

These priorities aren't theoretical or partisan. They affect real companies, real employee owners, and the long-term stability of the communities ESOPs support. Leaders on both sides of the aisle support these priorities!

Advocacy Events

Advocacy Academy (Tuesday, May 5) is a half-day seminar that will help you participate in Congressional meetings with confidence. You'll learn what to expect, how to tell your ESOP story clearly, and have time to practice with your teammates.

On ESOP Advocacy Day (Wednesday, May 6), you'll head to Capitol Hill to meet with members of Congress and their staff to advocate for bipartisan legislation and share detailed research on the benefits of ESOPs. You don't have to be an ESOP policy expert to join! Your most effective tool is simply telling the story of how your ESOP has impacted your life. That is what spurs members of Congress to action.

ESOP stories are already driving an unprecedented number of bipartisan, pro ESOP bills through Congress. These bills will protect your ESOP, make it easier for your company to grow, and spread the benefits of employee ownership throughout the country.

Register Early and Save

The first 200 people who sign up for Advocacy Academy AND ESOP Advocacy Day will receive \$150 off their [National Conference registration](#).

If you want to make an impact and protect your retirement savings, come and [#TellYourESOPStory](#). 



Is your ESOP Association Membership Information Up to Date?

The ESOP Association's membership team kindly reminds our valued members to please take a moment to review your ESOP's information on file with us and ensure it is up to date. Keeping your information current ensures you and your employee owners receive timely communications, personalized updates, and full access to The ESOP Association's comprehensive membership benefits.

To review your information, please log in to your membership portal and verify:

- **Company details**
- **Verification** on who should receive your membership renewal
- **Membership roster:** Please be sure you have your C-Suite employee owners, your ESOP Committee members, and anyone else you would like to receive membership benefits including discounted meetings, access to chapter notifications, and access to the HUB, etc. To add individuals, click "Add". If you need to remove any individuals, all you have to do is send a list of names to membership@esopassociation.org

Thank you for your help. If you have any questions, please email membership@esopassociation.org or call 202-293-2971. 



The ESOP Association's Annual
CF SUMMIT
 June 28-30, 2026
 Fairmont Sonoma Mission Inn | Sonoma, CA
A Groundbreaking Experience for ESOP CFOs

Join this dynamic program that is carefully curated to maximize value for ESOP finance leaders. Keynotes led by renowned experts in business and finance address emerging macro issues, while panel discussions and interactive sessions dive deep into key topics like strategic financial management, innovation, risk mitigation, and regulatory changes.



Registration Open esopassociation.org/cfo-summit-2026

Congress Funds First DOL Grant Program Dedicated to Employee Ownership



Employee ownership just earned a major win in Washington. President Trump signed the Consolidated Appropriations Act, 2026 into law, including \$2 million in funding for the U.S. Department of Labor's (DOL) Employee Ownership Initiative (EOI) grant program. This major priority for The ESOP Association is an important step toward sustained federal support for state-level employee ownership promotion and expansion.

What Passed

The bipartisan Worker Ownership, Readiness and Knowledge (WORK) Act, enacted as part of the SECURE 2.0 Act, created the EOI in 2022. Senators Bernie Sanders (I-VT) and Jerry Moran (R-KS) originally championed the WORK Act. The bipartisan efforts of Senators Shelley Moore Capito (R-WV) and Tammy Baldwin (D-WI), the Chair and Ranking Member of the Senate Appropriations subcommittee

responsible for the DOL, were instrumental in securing funding during the appropriations process.

The new appropriations law includes a joint explanatory statement, often called a committee report, that directs DOL to fund EOI grants to employee ownership programs at the state level. While the statement does not carry the force of law, it represents the House and Senate's bipartisan agreement that the DOL should fund and administer the EOI grant program. Federal agencies routinely follow these statements to implement similar programs.

The statement also specifically directs the Employment and Training Administration at DOL to administer the grant program, while directing the Employee Benefits Security Administration to focus on developing educational materials to promote best practices.

Why It Matters and Next Steps

EOI marks DOL's first program created specifically to promote employee ownership. It creates a federal platform to expand education, outreach, and technical support for businesses looking to transition to employee ownership. These grants could be major catalysts for the expansion of employee ownership throughout the country. DOL will need to issue guidance on the grantmaking process before awarding the grants. The funds will first become available during the coming year. The ESOP Association's government relations team will continue working to keep EOI funded in upcoming years. [E](#)

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:

Patrick Russo, Director of Public Policy
prusso@esopassociation.org



State Policy Update: New Employee Ownership Bills Introduced in Illinois and Rhode Island

Two new pieces of legislation related to employee ownership were recently introduced in Illinois and Rhode Island, continuing the momentum of pro-ESOP legislation in state governments. Below is an overview of what both pieces of legislation would do:

Illinois: H.B. 4955 — Employee Ownership Development Act

One of the primary issues facing ESOPs is a lack of access to capital. Illinois HB 4955 addresses this by incentivizing and enhancing private investment in employee-owned companies.

The bill would create an “Employee Ownership Development Account” in the state. The Account would be funded by setting aside a portion of the State Treasurer’s investment portfolio into this dedicated account. From there, the Account would be used to invest in majority employee-owned companies seeking to locate, expand, or remain in the state.

Rather than making direct loans, the Account would invest by placing money with “employee ownership development firms.” These firms are defined in the bill as entities with a track record of identifying, evaluating, and investing in employee ownership transactions.

The bill also sets a clear expectation for how these firms deploy capital. Any fund created by an employee ownership development firm that receives money from the state under this program would be required to invest a minimum of 1.5 times the amount of investable capital it receives.

This bill could create an influx of capital to flow to both existing ESOPs looking to grow and businesses looking to transition to an ESOP.

Rhode Island: H. 7570 — The Rhode Island Center for Employee Ownership (RICEO)

Rhode Island’s H. 7570 would create the Rhode Island Center for Employee Ownership (RICEO), housed within the Rhode Island Small Business Development Center.

The bill describes RICEO’s purpose as helping to secure resources and provide technical assistance, serving as a “concierge service” for legacy business owners and worker owners interested in transitioning a small business to an appropriate employee-owned business model.

The bill’s findings point to a core challenge driving



the proposal: roughly 56% of small business owners in Rhode Island are age 55 or older, meaning many are at or approaching retirement age. Many states like Rhode Island are looking to promote ESOPs as a viable succession plan during this “silver tsunami” of retirements.

The legislation also recognizes that employee ownership can support business succession by keeping legacy small businesses open in Rhode Island while expanding opportunities for new owners. The bill further notes research suggesting employee ownership can help reduce employee turnover and may be associated with higher wages and better benefits compared to other ownership models.

Rhode Island: H. 7696 — Employee Ownership Tax Credit

Rhode Island’s H. 7696 would create a new Employee Ownership Tax Credit to help businesses cover up to 50% of the cost of transitioning to employee ownership. The bill sets a maximum credit of \$100,000 for transitions to an ESOP.

The bill would also allow existing employee-owned businesses to claim a credit for expansion costs if they increase employee ownership by at least 20% of the company’s total ownership. To receive the credit, businesses would apply for certification through the state’s business development office, which could issue up to \$1 million in total credits each year.

Rhode Island lawmakers modeled this bill on Colorado legislation already passed into law. If the bill passes, it would help reduce one of the biggest barriers to employee ownership transitions: the upfront cost of getting a transaction done.

The ESOP Association (TEA) will continue to monitor these bills and other pro-ESOP legislation across the country as the state legislative sessions move forward. [E](#)

Leading in an Ownership Setting™ Informational Webinar Now Available

The Employee Ownership Foundation, in partnership with the University of Virginia's Darden Executive Education and Lifelong Learning, hosted a 30-minute webinar with Q&A focused on *Leading in an Ownership Setting™*, the flagship executive education program for ESOP leaders.

The webinar featured Richard Evans, Senior Associate Dean at the Darden School, co-lead of the program, alongside program alumni Matthew Elhadad, President & CEO of Nelson-Rudie, and Jason Kelly, CFO of Jasper Holdings, Inc. Attendees gained a clearer understanding of how *Leading in an Ownership Setting™* equips ESOP CEOs and CFOs (and senior finance leaders) to navigate early tenure challenges, strengthen their leadership approach, and build the mindset needed to lead effectively in an employee-owned environment. The facilitators emphasized that the programs are highly interactive rather than lecture based, and that peer learning is central to the experience.



A recording is available to access anytime at ESOPLeadership.org/why or via the HUB in the library of the CEO and CFO community networks (Must be logged in to access). €

The ESOP Association's Annual

CEO SUMMIT

August 23-25, 2026
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A Must-Attend Event for ESOP CEOs

A unique opportunity for ESOP leaders to gain valuable insights alongside fellow CEOs who are tackling similar challenges. With expert-led roundtable discussions and carefully selected keynote speakers, the Summit is geared toward providing CEOs with actionable strategies to address the most pressing economic, business, and ESOP-specific challenges.

Registration Open esopassociation.org/ceo-summit-2026



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- Study areas of knowledge a modern ESOP executive must possess
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ESOP LEADERSHIP IS DIFFERENT

Executives who run ESOP companies face unique and complex challenges. They benefit from specialized training and a clear understanding of the different requirements, scenarios, and demands of leadership. *Leading in an Ownership Setting™* is the only executive education program in the nation designed to help the top leaders of ESOP companies succeed.

BOTH CEOS AND CFOs

Leading in An Ownership Setting™ is the premier professional development program for ESOP CEOs and CFOs (and their equivalent roles). The program offers separate cohorts which meet two separate weeks, and the course strengthens leadership effectiveness, builds and maintains your ESOP leadership network, and shares resources and best practices.

WORLD RENOWNED LEARNING

Building on 20 years of successful leadership development and backed by the Employee Ownership Foundation, the newly expanded curriculum offers diverse learning opportunities to help you, your executive team, and your company succeed. Leading ESOP practitioners and top professors from the Darden School Darden School of Business at the University of Virginia —renowned worldwide for excellence, executive development, and thought leadership—teach the classes. There is no other program like it.

LEARN MORE ABOUT THIS PROGRAM BY SCANNING THE QR CODE OR VISITING: ESOPLeadership.org



Upcoming Business Solutions Webinar: Exclusively for TEA members – March 3rd

Take control of your benefits strategy and strengthen the value of employee ownership. In today's challenging healthcare landscape, ESOP companies hold a unique opportunity to rethink their benefits. When employees are owners, every dollar they save and every strategy they improve directly boosts long-term company performance and shared success. [Join The ESOP Association as leaders from Fred C. Church Insurance and ProAct facilitate this exclusive webinar on March 3rd at 2pm.](#) Examine innovative, future focused approaches that help ESOP organizations cut healthcare costs, increase transparency, and reinvest savings back into the business and the employee owners who drive its success.

What You'll Learn

- Why a thoughtful healthcare strategy plays an even greater role in an employee-owned environment
- The key pharmacy cost drivers you need to watch, and practical steps you can take to address them
- How transparency and well-aligned partners can strengthen long-term organizational performance
- The actionable steps you can use to assess whether your current approach truly supports an ownership mindset

Presenter Biographies:

Geoff Christian brings over 26 years of experience in employee benefit plans, including deep expertise in captives, self-funding arrangements, risk reduction, and employer/employee education. He is also highly active in his community, serving in multiple leadership roles and volunteering with youth sports and local nonprofit organizations.



Bryce Austell has more than 10 years of experience consulting on employee benefits and currently serves as Vice President of Employee Benefits and ESOP Practice Leader at Fred C. Church Insurance. He focuses on developing innovative, comprehensive benefit strategies that support employee wellbeing and strengthen organizational performance.

Danielle Rice is a Regional Sales Director at ProAct, partnering with employers and consultants to design pharmacy solutions that balance clinical outcomes with cost containment. She has built her career within the employee-owned ecosystem, leads communications for the ESOP Association's NY/NJ Chapter, and produces a video series that promotes ESOP education.

Information about how to sign up/join/rsvp <https://my.esopassociation.org/s/community-event?id=a1YQooooo6ZpiX> €



The ESOP Association



RUTGERS

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Invitation to Participate: 2025 National ESOP Employee Survey

The ESOP Association and the Rutgers Institute for the Study of Employee Ownership and Profit Sharing encourage your company to participate in the 2025 ESOP Employee Survey, a major new research initiative to identify the critical success factors that help ESOPs deliver value to both companies and employees. Participating companies will distribute a short (15–20 minute) anonymous online survey to their employees. In addition, the CEO or another company executive familiar with the ESOP will participate in an interview with researchers, the interview will take between 30–60 minutes. In return, companies will receive a customized report comparing their results to those of peer ESOPs and national benchmarks. Participating companies will also have the option to include tailored questions in their survey.

Your company's insights will contribute to cutting-edge research on ESOPs that aims to strengthen the field. If you are potentially interested, please fill out the information in the form to register your company. Questions? Contact: AJ Clomax ac2082@smlr.rutgers.edu and Douglas Kruse dkruse@smlr.rutgers.edu.

**Scan the QR Code below or visit
esopassociation.org/2025-esop-survey**





The ESOP Association

PROFESSIONALS' FORUM '26

February 4-6
Charleston, SC

ESOP Talks is a series designed to help younger ESOP professionals grow and develop their brand and business



The ESOP Association's (TEA's) Professionals' Forum was once again a successful event for ESOP professionals to gather, share perspectives and insight, and network with peers.

The Professionals Forum began with a spotlight on ESOP Talks, which is a series focused on developing early career ESOP professionals. Several dozen attendees learned from panels of experienced professionals about how to navigate ESOP transaction issues in greater depth and then participated in a networking exercise designed to help them build business development skills.

The following day, TEA's six Professional Advisory Committees also met for deep dives into pressing issues. From updates on legislation and litigation, to employee ownership culture ideas and the latest insight on valuation or fiduciary issues, some of the most productive time at the Professionals' Forum is the time spent with colleagues debating and discussing relevant and timely issues. As usual, the debates were enlightening, always cordial, and sometimes lively.

Concurrent session topics over the two days covered a wide range of issues, including mergers and acquisitions, artificial intelligence, repurchase obligations and sustainability, and general ESOP trends on loans, opportunities, and even plan design and terminations. In the General Sessions, attendees heard from Jim Bonham,

TEA's president and CEO, on two particular topics of keen interest: first, a legislative update on advocacy efforts in Congress, emerging public policy issues, and the broad effects they are having on the ESOP community; and second, an update on TEA's many educational efforts, including the *Leading in an Ownership Setting*™ program at the Darden School of Business at the University of Virginia, the ESOP Employee Accelerator program, and especially the Employee Ownership University launching this year. The event closed with an "open mic" event for the group to cover additional topics, surface any issues, and otherwise share insight.

Despite some rainy and unseasonably cold weather, Charleston still brought a warm distinct local charm to the Forum, with its walkable downtown and wide array of restaurants and shops. The chance to gather and focus together as a professional community seemed to be a refreshing opportunity for attendees.



TEA President and CEO Jim Bonham speaks at the General Session and presents a certificate of appreciation to Advisory Committees Chair, Cara Benningfield

The Association would like to thank the Chairs of our Professional Advisory Committees for their work in helping set up this successful conference, plus all of the presenters and speakers who led the important sessions and updates. Appreciation also goes out to Faegre Drinker Biddle & Reath LLP for its support and sponsorship of the Professionals' Forum. As this year's Professionals' Forum was the last one in her official capacity, TEA would especially like to thank Cara Benningfield, the Chair of the Advisory Committees, for her service in this leadership role and as a TEA Board member. Cara's guidance and dedication have advanced the Professionals' Forum and the interests of ESOP professionals in marked ways. The next Chair of the Advisory Committees, Peter Jones, will take over in May of 2025.

The Association has several options for cities that could host the Forum in future years. Attendees should watch for the post-event survey and let us know where you'd like to see at the Professionals' Forum in future years. €



Attendees network during the reception

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Making an Impactful Difference as an Employee Owner

By Paul Dougherty, Recology

Working for an ESOP company is different. There's a certain atmosphere that makes it hard to describe - whether it's walking into a grocery store like Oliver's in Sonoma County, California, making a visit to Mountain Hardware in Truckee, California, or visiting Bob's Red Mill in Milwaukee, Oregon and watching the employees owners in action - there is a difference in the air.

There is a universal sense of pride, along with a caring - an intangible feeling that translates to great customer service and employee satisfaction. Possibly, it's knowing that as an employee owner your financial future is a little brighter than those working for non-employee-owned companies. Perhaps it could be the fellowship in knowing the person working next to you is an owner like you. Or maybe it's just for the pride in knowing that you are an employee owner.

Being an employee owner is an important responsibility. We can all be average employee owners, or we can choose to be truly exceptional ones. However this begs the question: "What can I do to be a truly great employee owner?"

The answer is plenty. The easiest way is just to be a conscientious employee owner. You can strive every day to improve in your job, help a fellow owner, show up on time and work hard to make your company better - because as an owner, it IS your company. That may sound simple, but being there every day takes commitment and dedication. This alone is probably the most important contribution any of us can make as an employee owner.

However, there is more that can be done to become involved as an owner. Many ESOP companies have a Culture Committee, and even if you are not selected to be on the committee - there are usually plenty of opportunities to volunteer and assist the committee with its mission. Letting the Culture Committee leaders know that you would be interested in serving or volunteering is one way in which more owners can make an impact. This could be as simple



as helping set up for an event or be interviewed for a video or podcast. There are usually plenty of things to do, and extra hands are generally welcome.

In addition to volunteering, you can talk to fellow employee owners about being successful employee owners. You can discuss teamwork, making your workplace better, and educating yourself on how employee ownership works. Learning about how ESOP distributions work, or the ways employee owners can receive payment for their shares. Additionally, knowing what resources there are and where to go to ask questions. The ESOP world can be complex and learning just a piece of that can be interesting as well as rewarding.

Perhaps you are already on the Culture Committee at your workplace. If so, see if you can attend a local or national TEA conference. Going to local chapter conferences is a great way to connect with other employee owners of ESOP companies and conferences serve as a great opportunity to share ideas and to innovate with other employee owners. By attending sessions on what other companies do to celebrate and educate on employee ownership or how ESOPs work, you can bring valuable. There are many sessions and opportunities to learn. Either way, conferences are a remarkable way to explore and learn.

On a national level, it is easy to get involved in helping the broader ESOP community. Joining the Employee Ownership Action Network (EOAN) allows you to help with national issues concerning ESOPs. EOAN is a network that is established to contact U.S. Senators and Representatives when issues affecting ESOPs need legislative action.

We can all be average employee owners, or we can choose to be truly exceptional ones.

Every employee owner can be a part of this and really help promote legislation or actions that support the ESOP community. More information can be found on the ESOP Association website about joining the EOAN.

Another important thing that employee owners can do is learn more about ESOP PAC and the Employee Ownership Foundation which help support ESOP causes. The funds ESOP PAC raises go to help elect legislators who are ESOP champions and work to promote ESOPs. The Foundation provides research on the benefits of employee ownership as well as working to expand employee ownership. Sharing this knowledge with owners of companies that are looking to sell is important.

The funds ESOP PAC raises go to help elect legislators who are ESOP champions and work to promote ESOPs.

The Foundation shares the research that employees that are owners in their companies and have a stake in the performance of their companies perform better and have a brighter financial future and can carry on the legacy left

behind by the seller. The Foundation shows that the opportunity of employee ownership is a gift that can be unmatched.

These are just a few of the plethora of actions that employee owners can do to help promote employee ownership. Be the best employee

owner that you can be and get involved. The first step is always the hardest – but once you do it, the path ahead of you is bright. €

**EMPLOYEE OWNERSHIP
ACTION NETWORK** 

Your Voice, Your ESOP, Your Future.

EOAN makes it easy for you to contact your elected officials to encourage them to support pro-ESOP policies.

Join Today

Go to esopassociation.org/eoan



Why it matters

- ★ Lawmakers want to hear from you so they can make informed decisions about ESOPs and your livelihood.
- ★ EOAN provides a unified voice for our community to educate and influence elected officials when it matters most. As an EOAN member, you have the information and tools you need to be an active participant on the state and federal levels.

How it works

1. Sign Up: Provide your email and home address so we can automatically connect you with your representatives.
2. Get Informed: When the government is deliberating something that will affect ESOPs, you will receive an email with all the info you need on the issue.
3. Take Action: Send the pre-written message to your representatives informing them of the issue and requesting that they support ESOPs.

 ADVISE. ADVOCATE. ADVANCE.

Deceased Participants – Who Do I Pay?

By Lori Stuart, SCJ Fiduciary Services

Reviewed By Kevin Rusch, Blue Ridge Associates

In a perfect world, all ESOP participants will complete a valid beneficiary designation form and update their designation when necessary due to life changes, i.e. marriage, divorce, etc. Unfortunately, the world is not perfect, and ESOP companies may have a participant who passed away without a valid designation in place. If this happens, it is important for you to know how to determine the proper beneficiary for the participant.

If the benefit is paid to someone who was not vetted as the proper beneficiary, the true beneficiary can later make claim on the funds and the ESOP will need to pay out the benefit to that person too. This means the company will need to fund the necessary cash to the ESOP for this purpose. This article provides guidance on helping you navigate this situation should it happen to you.

What is a valid beneficiary designation?

ESOPs are qualified retirement plans which means that a married participant's primary beneficiary is their spouse. If a married participant wants to designate a primary beneficiary other than or in addition to their spouse, that can be done provided the spouse gives their written consent and that consent is notarized. Unmarried participants can designate any person or persons as primary beneficiary.

If a participant is designating more than one person as a primary beneficiary, the form completed will need to include the percentage to go to each beneficiary and those percentages must add up to 100%. For example, if an unmarried participant names their two siblings as primary beneficiaries, the participant can designate that one sibling gets 75% of their account balance and the other sibling gets 25%. Same with contingent beneficiaries if multiple people are named.

The form should be signed and dated prior to the participant's death, including the proper spousal consent if necessary. If the family comes up with a form after the participant's death, this form should be properly scrutinized to determine if it was completed properly and signed by the participant prior to their death. It may be necessary to involve legal counsel to make a determination to the validity of the form.

Beneficiary designation forms completed for company life insurance plans, or a separate 401(k) plan are not valid designations for the participant's

Beneficiary designation forms completed for company life insurance plans, or a separate 401(k) plan are not valid designations for the participant's ESOP account.



ESOP account. There must be a separate designation form for the ESOP.

Ultimately, the Plan Administrator (as defined in the ESOP document) is responsible for maintaining the completed beneficiary designation forms. Some ESOPs allow online designations via a participant-facing website managed by the firm providing the recordkeeping services for the ESOP.

What if there is not a valid beneficiary designation form?

If a participant dies without a valid beneficiary designation form in place, the first question is the participant's marital status. If the participant is married and the spouse is living, the spouse is the sole beneficiary. If the participant is not married, the answer is not as clear cut.

Many times, the ESOP document will have a hierarchy of who is beneficiary if a participant dies without a designation in place and is unmarried or the spouse preceded the participant in death. It may be as simple as the estate of the participant. The other common option in

documents is living family members in this order: 1) participant's children (including those adopted); 2) parents; 3) brothers and sisters; or 4) estate of the participant. For example, if the participant has no children, but the parents are living, the benefit will be split equally between the two parents. Or if no children and the participant's

parents are deceased, it will be split equally between the participants siblings.

This seems straightforward, but the difficult part can be tracking down and verifying the family members of the deceased participant. That may not be part of the information that is tracked for current or former employees. Estates may not be easier. Some participants may pass away without the need for an estate. It can be difficult to find someone related to the participant or someone with a legal relationship to the participant that can provide information on the estate. Even if you can track down family members, there have been situations where the family member refuses the benefit.

What are best practices?

This starts with educating participants on the importance of updating and maintaining their beneficiary designation for the ESOP. This requires repeated communications. Some companies will have the ESOP beneficiaries reflected on the annual participant statement to remind the participants of who they have named. Or will send a notice out with the annual statement about the importance of naming or updating the beneficiary designation.

Have a process for monitoring beneficiary designations. Get a list of participants who did not make a designation and reach out to them specifically via an email or letter.

When participants leave the company, check to see if they have a valid designation and if not, ask them to provide that as part of the offboarding process. Ask the participant to provide contact information for the designated beneficiary and give the participant information on who that person should contact at the company.

If this situation arises, and you are not sure who to pay, first reach out to your third-party administrator (TPA)/recordkeeping for initial guidance. They can help you validate a beneficiary designation or help you determine the proper hierarchy if there is not a valid designation.

Depending on the situation, your TPA/recordkeeping may recommend reaching out to your ESOP legal counsel for additional guidance on determining the proper beneficiary.

What are the practices to avoid?

Of course, you should not pay a death benefit to a person not properly vetted as the correct beneficiary. Or pay someone other than the properly named beneficiary. These may seem like no-brainers. However, there are instances where a company may be torn because the named beneficiary does not seem like the right party to pay. An example is a young, unmarried participant who dies, and their parents contact the company about the ESOP benefit which they need to pay funeral expenses. This participant named their best friend as beneficiary. The company may

want to pay out the parents, but if the beneficiary designation is valid, the best friend must be paid.

You should not issue a check in the name of a participant you know is deceased. There are times where benefit checks are issued for the next installment payment due, and you find out later that the participant died. Or the participant

may have passed away after receiving and cashing the check. If you know the participant is deceased and you cannot track down the beneficiary, issuing a check in the name of the deceased participant does not solve this issue.

Conclusion

A participant dying without a valid beneficiary designation can create headaches. And the options noted in this article may be easier said than done. Remember that you have service providers that can help you navigate these situations and that preventative measures, while time-consuming, may prove to be easier than reactive measures after a participant's death. €

Have a process for monitoring beneficiary designations. Get a list of participants who did not make a designation and reach out to them specifically via an email or letter.



| The ESOP Association

Professional Members can refer any client or prospective client, that is not already a member of The ESOP Association, and they will receive a **15% discount** on their first year's membership.

Did You Know?

Learn more by contacting Jennifer Edwards at jedwards@esopassociation.org or call 202-293-2971

Navigating Section 453A: Tax Implications of Installment Sales of \$5 Million

By Michael Kouyoumdjian, RP&B CPAs
Reviewed by Cara Benningfield, Forvis Mazars

Taxes are never a topic people like to discuss, or if they do, it's rarely a fun topic. Many sellers choose the ESOP alternative, at least in part, because of the tax benefits the option provides.

One of these benefits the seller can choose on the personal side is the ability to defer the capital gain by electing Section 1042. Although Section 1042 may provide tremendous benefits, it is not always the right fit for each seller. Electing to forgo Section 1042 usually comes with the requirement to pay capital gains tax on the proceeds as they are collected.

Unfortunately, many taxpayers are surprised to learn that the capital gains tax they pay may not be the only tax. Nestled in the tax code under Section 453A is an application of an interest charge for installment sale obligations, referred to as “interest on deferred tax liability” or the very appropriate nickname – the “Sting Tax.” Although this code section applies to other types of installment sales, the focus here is on the installment sale of company stock as part of an ESOP transaction.

What is the 453A “Sting Tax”:

Section 453A became effective in 1989 and essentially reduces the time value benefit of the installment method's tax deferral. In an ESOP transaction, Section 453A applies to an installment sale where the selling price exceeds \$150,000 and the total amount of all installment sale obligations that arose during the tax year and were outstanding at the end of the tax year exceed \$5 million. Once interest is required on an obligation in year one, it must be paid for any later tax years as long as there is still an outstanding obligation even once the remaining balance drops below \$5 million.

Nestled in the tax code under Section 453A is an application of an interest charge for installment sale obligations, referred to as the ‘Sting Tax.’



Although typically ESOP transactions involve an individual or trust as the seller, the Section 453A also applies to entities such as corporations and partnerships. The \$5 million threshold is applied and calculated at the shareholder or partner level for passthrough entities

Steps to Calculate the 453A Amount:

There are four steps to calculate the Section 453A amount that will be reported on the tax return.

The first step in this calculation is determining the amount of the deferred tax liability. This calculation requires the deferred gain on the sale to be multiplied by the maximum capital gain rate in the year of sale. The deferred gain is calculated by first calculating the gross

profit percentage on the sale. This calculation sums the sales price less the basis then divides it by the sales price. For example, if the basis in the stock sold was \$3 million and the gross sales price was \$30 million, the gross profit percentage would be 90% (\$27 million gain divided by \$30 million sales price).

To calculate the deferred tax liability, the remaining uncollected proceeds at year end is multiplied by the original gross profit percentage and then multiplied by the maximum capital gains tax rate in effect for that year. Note that the 3.8% Net Investment Income Tax (“NIIT”) is not

considered in the Section 453A calculation.

In the example, let's assume \$10 million of the \$30 million proceeds were collected in the year, leaving a remaining principal balance of \$20 million. When the \$20 million is multiplied by the gross profit percentage of 90%, the unrecognized (or deferred) gain equals \$18 million. Then, multiplying the unrecognized gain of \$18 million by the 20% capital gain rate for 2024, results in a deferred tax liability of \$3.6 million, completing the first step in the calculation.

The second step requires a calculation of the applicable percentage. This is done by taking the outstanding installment obligation at year-end, subtracting \$5 million, and dividing the result by the outstanding installment obligation. Continuing with the example, the \$20M uncollected proceeds is divided into \$15 million (\$20 million minus \$5 million), resulting in a 75% applicable rate. This applicable rate is computed in year 1 and remains constant in future years until the full proceeds have been received.

The third step requires looking up the IRC 6621(a)(2) underpayment rate for the final month of the taxable year. This rate changes annually and would need to be referenced each year of the calculation. For December 2024, the rate was 8%.

In the final step, the computed interest on the deferred tax liability is calculated so it can be reported on the return. Using the above example, the calculation begins with the \$3.6 million deferred tax liability from Step 1, multiply by the applicable rate of 75% from Step 2, and then multiply that by the underpayment rate of 8% from Step 3. The result is a 453A "sting tax" of \$216,000, which would be added to the taxpayer's tax for 2024. It should be noted that many states also adopt the 453A calculation, so a state calculation may also be required using their capital gains rate.

In the first year of the installment obligation, it doesn't matter if the sale occurred on the last day of the tax year or much earlier in the tax year; the interest charge is calculated at year end for the entire year (see CCA 201021020). Nor does it matter if the underpayment rate changed during the year; the rate in effect at year end controls.

Below is a table illustrating the federal calculations, assuming the transaction occurred in 2024 and an additional \$5M of the proceeds are collected in 2025:

	12/31/24	12/31/25
Remaining Proceeds	\$20,000,000	\$15,000,000
Deferred Tax	\$3,600,000	\$2,700,000
Applicable %	75%	75%
IRS Underpayment Rate	8%	7%
Total 453A Tax	\$216,000	\$141,750

Section 453A also applies to entities such as corporations and partnerships.

Other Considerations/Opportunities:

Below are some considerations and opportunities that should be discussed as part of the initial election or annually:

- Section 453A interest is considered personal interest and is not deductible. (see *Carlson v. Commissioner*, 112 TC 240, 1999).
- Fully vetting the Section 1042 alternative to compare the projected tax cost with the 453A against the cost of 1042 prior to the ESOP transaction.
- It is important to remember that the \$5 million threshold is per person. If the stock is community property or can be transmuted to community property, it would allow for the doubling of the \$5 million exclusion, potentially saving tens of thousands of dollars per year. (see TAM 9853002).
- Many ESOP deals include an AAA or basis note and a seller note. Weighing the benefits of paying down the seller note first to reduce the sting tax could be valuable; however, it also accelerates capital gains recognition. The AAA/basis note is tax-free but does not reduce the annual 453A amount.
- Consider electing out of the installment sale method and paying the full amount of the tax in Year 1, especially if the taxpayer has significant capital losses to offset much of the gain. However, this requires careful consideration of the amount of tax due compared to the cash received, as well as the opportunity cost of that cash.
- Gifting of the notes post sale will reduce the outstanding balance and will be reflective in a lower 453A amount due that year, but the gifting of the notes is generally treated as a disposition which would trigger the taxable gain on the amount gifted.
- If there is a later write-down of the seller note, a seller cannot claim a refund of the interest paid in a prior period (see TAM 9853002). €

Raymond James Establishes ESOP Advisory Investment Banking Practice

Raymond James is expanding the capabilities of its Investment Banking division by hiring Mark Buchanan to establish the firm's ESOP Advisory practice. Buchanan will lead all ESOP-related M&A transaction advisory and execution efforts for its privately held institutional clients and support the firm's financial advisors and their business-owner clients seeking ESOP-related expertise.

The ESOP Advisory practice will focus on the execution of tax-advantaged ESOP and related ownership-transition transactions for family-, founder- and employee-owned companies seeking to transition ownership. The practice will also provide bespoke corporate finance and investment banking advisory services for existing ESOP-owned companies seeking to grow or recapitalize their business.

"Establishing the ESOP Advisory practice gives clients a powerful new way to achieve their goals with greater flexibility," said Steve Hufford, senior managing director and head of Investment Banking at Raymond James. "As more companies choose to remain private longer, the need for tax-efficient ownership transition strategies is growing. Mark's extensive experience in this unique space will help deliver meaningful results to clients."

Buchanan joins Raymond James from Stout, where he led its ESOP Investment Banking effort for three years. Prior investment banking advisory experience includes roles

at Macquarie Capital, BMO Harris Bank, and Credit Suisse. Based in Dallas, he joins the Investment Banking group as a managing director and head of ESOP Advisory. Buchanan holds an MBA with Honors from the University of Chicago Booth School of Business and an undergraduate degree from Oakland University.

"I have had the great pleasure of serving business owners as well as employee owners in solving unique challenges, particularly surrounding growth, succession planning and monetization," said Buchanan. "With Raymond James now offering ESOP Advisory services to complement its comprehensive suite of services for business owners, I look forward to building the practice and helping clients and their employees grow wealth in a meaningful way." 

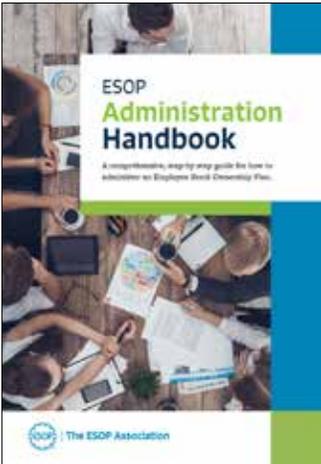
About Raymond James Financial, Inc.

Raymond James Financial, Inc. (NYSE: RJF) is a leading diversified financial services company providing private client group, capital markets, asset management, banking and other services to individuals, corporations and municipalities. Total client assets are \$1.77 trillion. Public since 1983, the firm is listed on the New York Stock Exchange under the symbol RJF. Additional information is available at www.raymondjames.com.

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.

ESOP Technical Publications



ESOP Administration Handbook

TEA's essential resource is for anyone responsible for administering an ESOP. It 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 past Advisory Committee Chair, Lori Stuart, 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 former 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."*

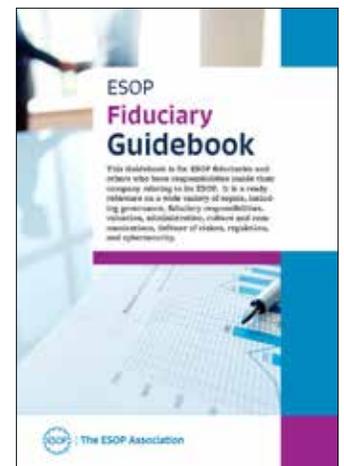
Member Price: \$100 | Non-Member Price: \$299

ESOP Fiduciary Guidebook

This comprehensive guide equips ESOP fiduciaries with the knowledge and tools they need to confidently navigate their responsibilities and support their ESOP's success. TEA's Fiduciary Guidebook provides essential guidance to ESOP leaders on effectively managing their plans.

According to TEA member Ted Becker, Partner at McDermott, Will & Emery, LLP, *"This Guidebook is for ESOP fiduciaries and others who have responsibilities inside their company relating to its ESOP. It is a ready reference on a wide variety of topics, including governance, fiduciary responsibilities, valuation, administration, culture and communications, defense of claims, regulation, and cybersecurity."*

Member Price: \$50 | Non-Member Price: \$199



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