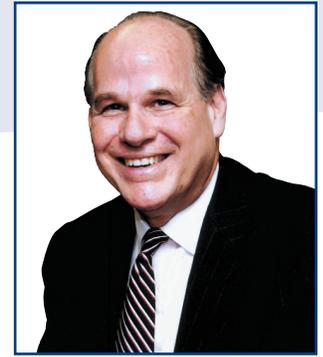


# STRAIGHT *from* the PRESIDENT

J. Michael Keeling  
President, The ESOP Association



## The Election's Impact on ESOPs

*[Editor's note: Below and continued on pages six, seven, and nine is an abridged version of the remarks ESOP Association President Michael Keeling gave on November 9<sup>th</sup> to a general session of the 2012 Las Vegas Conference and Trade Show on what impact the results of the 2012 Election may, or may not, have on ESOP law and benefits. The entire speech, with the referenced videos from Senator Bernard Sanders [D-VT] and Congressman John Boehner [R-OH], the Speaker of the House of Representatives, will be posted on the Association's YouTube Channel.]*

"Look to your left at the next table. Look to your left at the next two tables. Look to your right at the next table. Look to your right at the next two tables.

What do you see?

You see someone who voted for President Obama.

You see someone who voted for Governor Romney.

You see someone whose Congressperson, or Senator, is a hard charging champion of the Tea Party.

You see someone whose Congressperson, or Senator, is a hard charging champion of the most left elements of the Democrats.

You are at an ESOP meeting.

You are not at a meeting of people who watch FoxNews. You are not at a meeting of people who watch only MSNBC.

How do you view, and more importantly, how do we, ESOP advocates, feel about the results of Tuesday's elections? Do you view the results through the lens of your views, of whether the right man won, or the wrong man?

Or do we review the results only through the lens of an ESOP advocate?

And can you tell the difference?

If not, how do we 'win' for ESOPs, the next two, or four years? Or does it matter?

Indulge me to present to you my views.

Should you agree with my view? Not necessarily.

But let me say, confidentially, my views are as good as any of the self-anointed, cable-blessed 'experts' on TV. I have worked in major campaigns, and first handed out materials related to a U.S. Senate race when I was 9 years-old. I have worked in paid positions in campaigns and in government decision making positions since I was 20 years-old.

So, you may disagree with everything I say; but you cannot prove me wrong.

Let me begin.

Over the past 30 days, many who watch our YouTube Channel did not like the posting that President Obama, as a U.S. Senator, wrote a mixed message letter about ESOPs as retirement savings plans.

Many, on the other hand, complained about the YouTube posting that reported that Governor Romney

had an up close experience with an ESOP where executives of a company sold their stock to an ESOP, and the company continued to slide downward.

And there were protests when our YouTube reported that the Republican National Party Platform had a pro-ESOP provision, and the Democratic National Party Platform had nothing.

Some even complained about the YouTube posting that the only friend ESOPs ever had in the White House was a Republican, Ronald Reagan.

As the prime trade association for ESOP companies, our job is to report the truth, and all of those YouTube postings were true.

Please see President page 6



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I will make a big picture comment, or two, or three, because if we ESOP advocates do not see the big picture, we will lose our fight for ESOPs.

I hear so many, mostly on TV, say ‘Oh, the Republican party is finished. It is the party of old white men, who mainly dominate the South, and rural areas.’ These people say, ‘ESOP Association, do not align with Republican officer holders --- they are yesterday’s group, and Democrats will extract a pound of flesh from ESOPs if you are friends of Paul Ryan, Eric Cantor, Kelly Ayotte,’ and I can go on.

Poppycock!

In 1964, the Republican candidate for President, Barry Goldwater, had the lowest percentage of votes nationwide of any person who ever ran for President as the candidate of a major party. After the 1964 election, the media proclaimed the Republican Party dead. In 1968, a Republican was elected President of the United States.

In 1972, the Democratic candidate for President, George McGovern, lost by the biggest margin ever as measured by the number of Electoral College votes in U.S. history. The media said that the Democratic Party was finished. In 1976, a Democrat was elected President of the United States.

What did Barry Goldwater and George McGovern have in common? They were both perceived as extremists.

Extremism, when perceived, whether true, or not, as perception is reality, will be rejected by the American voters who determine the outcome of a national election.

Oh sure, you can put 10,000 in an auditorium who watch and love FoxNews, to hear their candidate. They will cheer, they will hoot and holler, they will transfer love, and cause the candidate’s ego to grow big, and to make his or her staff feel like they are political geniuses, as everyone sees victory.

And, 10,000 people who love the left wing cable MSNBC can be gathered for their candidate. They will cheer, they will hoot and holler, they will transfer love, and cause the candidate’s ego to grow big, and to make her or his staff feel like they are political geniuses, as everyone sees victory.

But the 30,000 people who are neither fans of FoxNews, or MSNBC, because they never watch these cable news channels anyway, these 30,000 will decide who wins the election. They will not be in the auditorium at anytime during the campaign.

Please see President page 7

who are speaking publicly for the very first time. It’s not just the groovy ideas that are conveyed but the deep power of the connection that these speakers have to their subject matter, and the devotion to their companies.

So, I’m preparing for a presentation. Aside from “I’m Good Enough, I’m Smart Enough, and Doggone it, People Like Me!” what am I thinking of? (Am I really going to quote Stuart Smalley... um, er - Al Franken in *The ESOP Report*? Maybe the editors will cut it!) Here are some of the things I try to keep in mind.

- Start with material that is very comfortable, then the rest will be easier
- Ask myself: who’s in the audience
- Introduce yourself --- establish your reason for being in front of them
- Structure --- Beginning, middle, and end
- Agenda --- let them know what’s coming
- Conclusion - remind them why they came. Give them a “parting gift”... a thought to go
- Repetition --- you may have said it last year, but it may bear repeating annually
- Simplify --- you can’t teach a three credit college course in 50 minutes anyway
- Don’t let power point upstage you --- fun as it can be to use all the bells and whistles
- Everything in your slide show should have a reason for being there --- otherwise chop it
- Don’t be wordy on the slides --- 36 font limit --- if you must, give them a “handout” to go at the end
- Don’t read the slides
- Use photos or charts to emphasize your words
- Practice --- even just in your head, at least visualize yourself presenting each slide
- Have a few moments sometime before the presentation

- to load it all into your current memory
- Don’t forget your props --- make sure your audio visual works BUT have a back-up plan
- Arrive early
- Be prepared, then block the worry
- The audience wants you to succeed
- They’ll never know what you wanted to say but forgot to say
- Breathe
- Don’t go too fast
- And of course remind them to fill out the evaluation forms!

In Washington, DC on May 11, 2012, Wayne Violette of BL Companies in Meriden, Connecticut and I presented a session called LIVE State of the Company Meeting, where we re-enacted parts of our companies’ annual meetings. At the end of the presentation we identified the following as “Best Practices:”

- Keep it simple
- Draw a picture
- Perform it
- Involve the audience
- Charts not numbers
- Have a message
- Future oriented
- Make it fun

Well, there you have it. I started out to write a case study on annual meetings and ended up writing about delivering presentations as well. Whether you’re in the audience or on the stage, may all your presentations be inspiring.

*Mr. Fitz-Gerald is Vice President, Treasurer, Chief Financial Officer, and an employee owner of Carris Reels. He is a member of The ESOP Association’s Advisory Committee on Ownership Culture.*

From President page 6

Thus, ESOP advocate, be ESOP; be for those women and men who have stood up for ESOPs.

The ESOP Association does not ask you to abandon your values.

We ask you to be for ESOPs, and to put ESOPs first. Why?

Because data, macro data, much of it funded by our Employee Ownership Foundation, but not all, proves beyond any shadow of a doubt that in most instances ESOP companies are good for employees, good for the companies, good for the communities where they are located, and thus good for America.

Because data, macro data, proves that ESOP companies in the vast majority of instances are more productive, more profitable, and more sustainable, providing locally-controlled jobs here in America.

And because, as proven by the prestigious General Social Survey in 2010, conducted by an affiliate of the University of Chicago, during the Great Recession, employee stock owned companies laid off employees at a rate of less than 3%, whereas conventionally-owned companies laid off employees at a rate of 12%.

Think about it -- our national leaders, our candidates for President, talk about 'I am a job creator, I will create jobs with my policy'.

Seems to me that the best way to address the unemployment problem is to be sure that people do not lose the jobs they have, and ESOPs help people keep their jobs.

When someone loses her or his job, they do not pay income taxes; they do not pay Social Security or Medicare taxes; they instead collect unemployment compensation from the government. If you want to address the debt problem, having people keep their jobs is an effective policy.

It is like that ad on TV, by some cable provider, I think, that says that ole boy who cannot get the football game on TV becomes frustrated, and goes out and takes karate training, and then gets on the subway looking all macho, and attracts the attention of some gang, who attack him, beat him up, and leave him in a ditch all bloody and bruised, with the punch line, 'If he only had cable that permitted him to see the game, none of this would have happened.'

I say that if we had more employee ownership, we would not have our big debt problem as more people would have their jobs, pay taxes, and not collect unemployment compensation!

This is why we should be for ESOPs.

Now let's us look at the ESOP situation in terms of the big picture results of the election.

There is no question that the election results mean the DOL campaign against ESOPs will continue.

The person President Obama appointed to run the DOL agency that enforces the law governing ESOP fiduciaries, does not believe ESOPs are to be encouraged as retirement savings plans.

Many accuse me of being Glenn Beck like with my conspiracy talk about the current leadership at DOL. May I give evidence?

For years at DOL, in pleadings before Federal courts, among other places, DOL has taken the position, in essence, that Title I of ERISA establishing the standards for ESOP trustees and fiduciaries sanctions creation of an ESOP, and continued operation of ESOPs in limited circumstances. They take the view that the tax laws encouraging the creation of ESOPs do not reflect national policy intent to have more ESOPs imbedded in ERISA, just because the tax laws encourage ESOPs.

To bolster evidence, in the late 90s, a DOL lawyer, under oath in a lawsuit deposition, said that the law sanctioned only two kinds of ESOPs -- wage concession ESOPs, or benefit concession ESOPs. Duh -- these kinds of ESOPs account for about 1 to 2% of the ESOPs in America today.

And recently at a conference, the top enforcement officer of DOL's ERISA portfolio told a group that ESOPs were being singled out for special action because, 'Current shareholders are selling their stock to an ESOP!' My gosh, the very ESOP transaction Congress has encouraged for the past 30 years -- the exiting shareholder transaction.

And please, please listen. Our problems with DOL are not about rouge ESOP transactions. Do not believe that your ESOP, your ESOP clients, will not be targeted by DOL's campaign against ESOPs. For the first time, there is a top official at DOL who believes, sincerely believes, the view that the current law does not favor ESOPs except in rare situations. Do not be smug.

Now, what do the election returns mean for the big topic I hear everywhere I go -- what will happen to ESOPs in tax reform?

Frankly, it did not, does not, really matter about ESOPs and tax reform in the context of who was elected President, or who controls Congress.

It is clear: President Obama is for tax reform. Governor Romney was for tax reform. The Democrats in Congress are for tax reform. The Republicans in Congress are for tax reform. The media is for tax reform. Think tanks are for tax reform.

There will be tax reform. In fact, since the birth of the Federal income tax in 1913, there has been tax reform every 25 to 35 years, and since 1986 was the last tax reform legislation, it will happen.

And when Congress does tax reform, every provision of income tax law on the table, is reviewed.

And when Congress does tax reform, it is always with the same goals -- lower tax rates, simplify the tax code making it fairer by eliminating what are called by some as tax loopholes, others tax expenditures, and others tax preferences. Take your choice as to what to call the provisions you like in the tax code.

ESOPs tax laws will be examined, particularly the benefit tied to the status of businesses that are S corporations. President Bush's tax reform commission, President Obama's group studying tax reform,

Read see President page 9

From President page 7

recently issued a 50 page tax reform outline; all say limit the size of companies that pay no corporate level tax, and many S ESOPs are bigger than the number being thrown around.

Are we to despair? Are we weak? No, support among members of Congress for ESOP positive law reached an all time high in 2012. 90% of the men and women in Congress who had publicly done something to endorse ESOP law, and even the expansion of ESOP law, were re-elected.

Let us see a man who is thought to be the most liberal member of Congress; a Senator that feels that the Democrats are not liberal enough, and declares he belongs to no party. Let us hear from Senator Bernard Sanders of Vermont, as he spoke via video to the recent New England Chapter conference:

The video will be posted to the Association's YouTube Channel here: <http://www.youtube.com/user/ESOPAssoc>.

But now, let us hear from the number one, the top Republican official in our government, the Speaker of the House of Representatives, Congressman John Boehner.



Senator Kelly Ayotte and ESOP Association President, J. Michael Keeling.

Again, video will be posted to the Association's YouTube Channel here:

<http://www.youtube.com/user/ESOPAssoc>.

Do not despair --- let us take our cue from the message from Senator Kelly Ayotte from New Hampshire in a picture made with me as I went through a receiving line with over 200 other people which is nothing special. The message is not about me, but it is special, as usually these meet and greet pictures are signed, "Thanks," "Appreciate your support" etc. Instead, Senator Ayotte signs the picture, "Long Live ESOPs"! (The photo at left will be available on the Association's Flickr page here: <http://www.flickr.com/photos/esopassoc/>.)

Let us leave this ballroom remembering this call, "Long Live ESOPs!"

  
J. Michael Keeling  
President, The ESOP Association

From EOM page 1

place, as well as planning for an "Adirondack Safari - Employees Gone Wild," featuring a scavenger hunt and photo contest. From Adworkshop's Facebook page: Stay tuned! During October, in celebration of National ESOP month, the Adworkshop team participated in an "Adirondack Safari" photo contest. Each day next week a new photo will be posted - check back to see the entries and "like" and comment on your favorites! Check out all the amazing photos on their Facebook page: <http://www.facebook.com/advertisersworkshop>.



Adworkshop employee owners.



Larry Bohrer recognized for 40 years of service at TKDA.

**TKDA** --- TKDA, in St. Paul, MN, celebrates ESOP Week annually during October. 2012 events included a bean bag toss competition with 32 teams at the Saint Paul office participating. The Saint Paul IT team came from an almost 10 point deficit to win. The Duluth office also held a competition, and set the standard with TKDA logo customized bean bag boards. The Downers Grove office had a bowling competition. The Downers Grove group didn't really keep score, but enjoyed the competition and were grateful no one suffered any permanent injuries! Other events included a service award luncheon with guest speakers talking about Wellness in the Workplace. In Saint Paul, Larry Bohrer was recognized for 40 years of service to TKDA. The branch offices celebrated at different times during the month when President/CEO, Bill Deitner, and the branch division vice president visited the office and recognized the new employees and service award winners.

A Professional Growth and Development Seminar panel facilitated by Greg Barlow, Vice President - Human Resources, was also held. The panel was comprised of several TKDA employees who shared their career story with an emphasis on individual career growth at TKDA. The week concluded with a new employee luncheon at the Saint Paul office. The new employees who started at TKDA since last year's ESOP week were recognized and learned more about ESOP and what it means to TKDA.

**Ulteig Engineers, Inc.** --- Ulteig Engineers, Inc., in Fargo, ND, celebrated Employee Ownership Month with a variety of events geared toward educating employees about their ESOP, spending time together in a fun-filled environment, and thanking employees for their hard work and dedication. The company kicked off the month by hosting an ESOP Lunch and Learn that featured Chief Financial Officer and ESOP Administration Committee Member, Steven Maag, and Finance and Accounting Director, Chris Flanagan, discussing the specifics of the ESOP and explaining how



Ulteig chili cook-off.

Please see EOM page 10