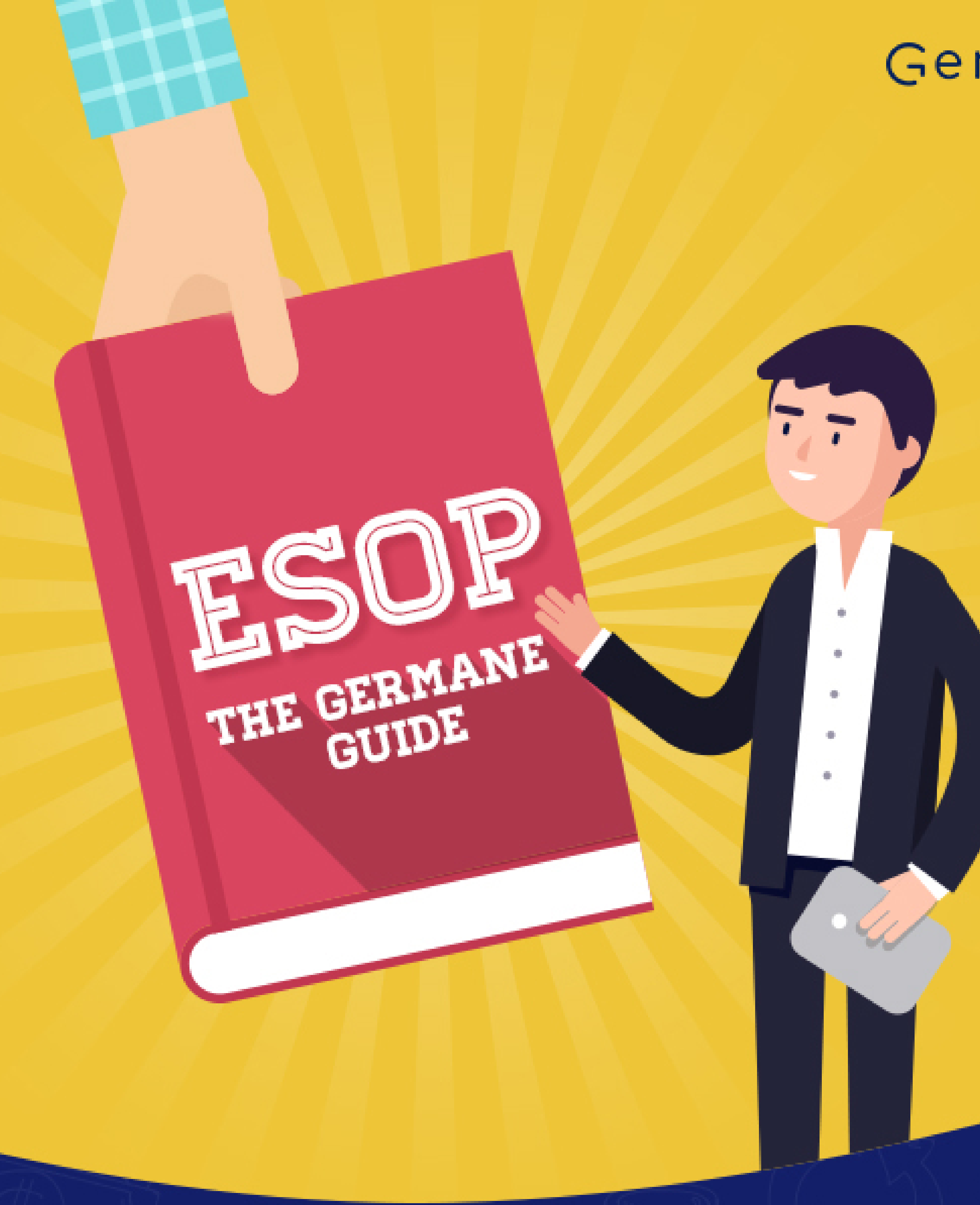
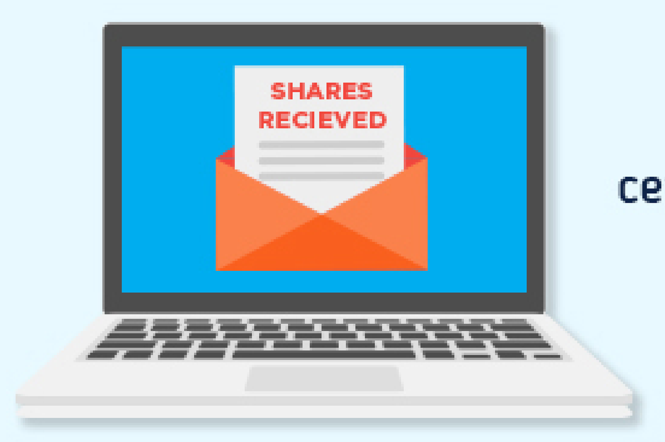


WHAT IS AN ESOP?

An employee stock ownership plan (ESOP) is an employee benefit plan that provides a company's workers with an ownership interest in the company.

HOW DOES IT WORK?



Each eligible employee will receive a certain number of shares of the company. Shares are allotted to employees according to a set formula.

- Each employee's shares are held in the company's **ESOP trust**.
- As with a retirement plan, an employee's ownership of his or her shares will **vest over a period of time.**
- When the employee leaves or retires, the shares are returned to the company and the **employee will receive a payment equal to their vested share of the company's value.**
- TAX: If the employee wishes, the payment can be **rolled into an IRA** in order to defer taxes due.

WHAT ARE THE BENEFITS?

ESOP companies are **25% More likely** to stay in business.

Employee-owners were **4X Less likely to be laid off** during the recent recession.

Employees at ESOP companies have **2.5x GREATER retirement accounts**

Over a 10-year period, ESOP companies **HAVE 25% HIGHER JOB GROWTH** than comparable companies without an ESOP.

Employees at ESOP companies **receive 5% - 12%** more in wages.

Productivity improves by **4% - 5% on average** in the year an ESOP is adopted.

According to a 2010 NCEO (National Center for Employee Ownership) analysis of ESOP company government filings in 2008, **the average ESOP participant receives about $4,443 per year in company contributions to the ESOP and has an account balance of $55,836**. People in the plan for many years would have much larger balances.

FUNDAMENTAL DIFFERENCES IN COMPANY CULTURE AND MANAGEMENT IN AN ESOP ORGANIZATION VERSUS A NON-ESOP ORGANIZATION)

	OWNERSHIP MANAGEMENT	TRADITIONAL MANAGEMENT
AN OWNERSHIP STAKE	Employees receive and maintain a level of ownership that is financially significant to them.	Ownership is concentrated, with a single person or a small group owning the company.
OWNERSHIP UNDERSTANDING	Employees understand what ownership means.	Ownership issues are seen as irrelevant to employees.
ENTREPRENEURSHIP TRAINING	People are trained to have the skills not just to do their own jobs, but to understand how the business works; they learn to be effective.	People are trained to do their jobs; they learn to be efficient.
SHARING INFORMATION	Companies share financial and performance information with employees at the company and work team levels.	Managers guard information.
SHORT-TERM INCENTIVES	Everyone shares in the short-term rewards of company success.	People may, at their managers' discretion, receive bonuses.
EMPLOYEE INVOLVEMENT	Employees have structured, regular opportunities to have meaningful input into decisions concerning the work they do.	Ideas come from managers. Employees are allowed to make suggestions (maybe).

Germane
SOLUTIONS

Source: The National Center for Employee Ownership
(https://www.esop.org/, https://www.nceo.org)