

Employee Ownership Report

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2013 Data on ESOP Executive Compensation

To attract and retain talent, companies often consult executive compensation data relevant to their industry, size, or region. However, most of the data does not address the unique compensation issues that ESOP companies face. Having an ESOP may influence how a company structures its benefits package, how stock-based incentives are distributed, and even the company's overall compensation philosophy. The NCEO conducts a biannual survey on executive compensation practices specific to ESOP companies with these differences in mind.

The NCEO gathered executive compensation data for the 2012 fiscal year between July and September in 2013, receiving a total of 402 valid surveys from a diverse sample of ESOP companies. The core questions in the survey addressed compensation data for the top seven positions: CEO or president; COO; CFO or other top financial executive; top sales or marketing executive; top manufacturing, services, or products vice president; top divisional vice president; and top human resources or personnel professional.

The survey collected data on base pay, cash incentive pay, stock incentive pay, deferred compensation, and additional benefits. Total income was calculated by adding all of these categories. In addition to the core compensation data, the survey also addressed a number of compensation practices and mechanics at ESOP companies.

Of the companies that identified themselves as being an S corporation or C corporation, nearly 80% were S corporations. The industries represented in the survey are manufacturing (102 responses); construction (46 responses);

wholesale (42 responses); engineering, architecture, and related fields (38 responses); professional services (31 responses); technology (28 responses); retail (17 responses); financial, insurance, or real estate

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Have you unintentionally issued discounted options?

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OWNERSHIP NEWS

IRS Changes Determination Letter Process to Clear Backlog

On September 18th, the IRS announced a change in its determination letter process. Under the modified procedures, the determination letters issued will no longer include the dates of adoption for plan documents or amendments.

Since the announcement of the modified process, the IRS has been issuing determination letters for ESOPs at a vastly accelerated pace, with service providers reporting dozens or hundreds of such letters received. Based on informal conversations with IRS agents and officials, ESOP practitioners are concerned that the ESOP plan documents were not (and will not be) completely reviewed before a letter is issued.

The IRS statement says that "determination letters are based on the facts and demonstrations presented to the IRS in connection

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