NCEO
NATIONAL CENTER FOR
EMPLOYEE OWNERSHIP

EMPLOYEE OWNERSHIP REPORT

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ISSUE HIGHLIGHTS

- All members of ESOP company boards should be familiar with the basics of the Department of Labor's expectations for ESOPs, as expressed in the 2014 fiduciary process agreement. *Highlights are on page 3.*
- The BrainBangers' Ball and busting the leaders are two ways the employee-owners at the Phelps Agency take responsibility for their company's success. *See page 4.*
- How can a 100% ESOP-owned company raise outside investments? *See page 5 for ideas on that and other challenges.*
- Are companies happier with transactions that used the 1042 rollover? With 100% transactions or minority transactions? Bigger companies or smaller? *Our data provides answers on page 6.*
- Three ESOP-company CEOs share their reflections about what employee ownership does—and doesn't—mean. *See pages 8 and 9.*
- Court rules for defendants in long-running Antioch ESOP case. *See more on cases on page 10.*
- Fidelity survey finds more employees now say stock compensation is their "most important benefit." *See page 12.*
- Curious how many ESOP companies are in your state? *The answer is on page 15.*

RESOURCES CONTACT SHARE CASE STUDY OWNERS' PAGE

SEVENTH CIRCUIT COURT

New Prudence Standards Do Not Apply to Private Companies

The Seventh Circuit Court ruled that private companies are not governed by the standards for prudence outlined in the Supreme Court's *Dudenhoeffer* decision. In *Allen v. GreatBanc Trust Co.*, 7th Cir., No. 15-3569, (Aug. 25, 2016), the Seventh Circuit overturned a lower court ruling that dismissed a case over an ESOP valuation at the ESOP for Personal-Touch Company. The company's stock price dropped just over 50% after the valuation. GreatBanc, the plan trustee, argued that post-transaction declines in stock price are common because of the debt, but plaintiffs argued that GreatBanc failed to conduct an adequate investigation of the stock price and approved an interest rate on the ESOP loan two percentage points above what banks were normally charging.

—"Cases and Rulings" continues on page 10

INNOVATIONS IN EMPLOYEE OWNERSHIP

Applications Open for 2017 Awards

Driven by engaged, entrepreneurial employees, employee-owned companies often emerge as industry leaders, pioneering best practices in a range of areas. The Innovations in Employee Ownership Award recognizes employee-owned companies that demonstrate a commitment to promoting employee ownership and innovative practices that result from having unique and progressively designed stock plans, effectively engaging workforces of employee-owners, and furthering ideas that tie stock to improved company culture or performance. By sharing these ideas with the employee ownership community, this award strives to encourage employee-owned companies to continue to innovate in all facets of business.

2016 Innovation in Employee Ownership Award winners WATG, Mission Bell Inc., and Harpoon Brewery

The awards program is administered by the NCEO and the Beyster Institute at the Rady School of Business, UC San Diego. An award committee determines the winning company or companies using factors that include the positive impact the innovation has on the company, its employees, the industry, the employee-ownership community, and the public perception of employee ownership.

The application deadline is February 10, 2017. Winners will be announced at the 2017 Employee Ownership Conference in Denver. The Innovations in Employee Ownership Award is sponsored by TEOCO of Fairfax, Virginia. ■

For more information or to submit an application, visit www.nceo.org/r/EOAwards, or contact Dallan Guzinski (510-208-1301, DGuzinski@nceo.org).

THE NCEO is a self-sustaining nonprofit membership organization that provides practical resources and objective, reliable information on employee stock ownership plans (ESOPs), equity compensation plans, and ownership culture. Our publications, meetings, webinars, and research are designed with you in mind.
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