



ESOP REPORT report

The Voice of The ESOP Association

2003 ESOP Association Preview

2002 was a big year for ESOP and employee ownership advocates. As a result of a tremendous amount of commitment at the grassroots level, The ESOP Association successfully advocated against any changes to ESOP law, as the result of the collapse of Enron Corporation. When Congress adjourned on November 11, no new laws had been passed.

While 2003 may also present some unique legislative opportunities and challenges for the Association, there are many other conferences, programs, special events and privileges of which members of The ESOP Association should be made aware.

AACE: Join the Winners! The ESOP Association's Annual Awards for Communications Excellence (AACE) are sponsored by the Association to recognize the outstanding communications programs of its members. AACE entries represent companies with a strong commitment to ESOP communications – the AACE program is to be a motivating factor in encouraging more ESOP companies to implement and showcase their communications programs. AACE entries will

be judged in March, and prizes will be distributed during the 12th Annual Awards Banquet at The ESOP Association's 26th Annual Conference April 30 – May 2 in Washington, DC. Deadline for AACE submissions is March 3, 2003. For more information on AACE, please visit www.esopassociation.org/2003AACE.html, or contact Pat Barnes, AACE Coordinator, at pabarnes@earthlink.net or 304-876-1993.

Poster Contest: The ESOP Association's Annual Employee Ownership Month (EOM) Poster Contest has already received some great submissions for 2003! Poster Contest winners will be selected in March, and are privy to some unique privileges. The winning poster design will be featured on the Association's 2003 EOM posters and tee shirts, and will also be placed on the cover of the Association's 2003 *Press and Event Planning Kit*. Company name and logo will also appear. Deadline for Poster Contest submissions is March 3, 2003. For more information on the Poster Contest, please visit

(please see PREVIEW, page 8)

Chair's Page:

New Strategic Plan -- A 30 Year View.....2

Ownership Advantage:

"But What About United Airlines?" Answering the Tough Questions....3

Legal Update:

Internal Revenue Service Issues Revenue Ruling and Restricts Abusive S Corporation ESOPs 4

The Washington Report:

President Bush's Dividend Exclusion Proposal Triggers Uncertainty 7

Calendar of Events:.....12

Administration News:

Coordinating Compliance Tests with Two Recordkeepers..... 13

Unsung Hero of Employee Ownership Movement

Judson T. Bradford, retired CEO of Bradford Company, Holland, MI, is an unsung hero of the employee ownership movement.

There is no question that Dr. Louis O. Kelso was the originator and premier spokesman for the development of the employee stock ownership plan, or ESOP, structure for widespread employee stock ownership.

However, when a young man sitting in the barber shop in Holland, Michigan, read the words of Benjamin Franklin Fairless, CEO of U.S. Steel, in the November 1953 issue of *Reader's Digest*, declaring that the 300,000 employees of U.S. Steel should own that great steel company, live prosperously, and prove that the Marxist system was a huge fraud, that young man, Judson T. Bradford,

(please see HERO, page 11)

(from previous page)

believe the company is doing differs from what they think the company should be doing, that's where dissatisfaction comes from. To get people satisfied, either their perceptions need to improve, or their expectations need to fall.

Employees at United had the expectation that they were gaining a degree of influence over the company, and that they'd be consulted as partners when major decisions were faced. That expectation was supported the first time United considered buying USAirways, but the second attempt was largely conducted behind closed management doors, with the employees voiceless. This shattered employee expectations of being respected as full partners with management, and led to defensiveness and inflexible bargaining positions in the last few years.

One of the architects of the ESOP, Captain Rick Dubinsky of the Pilots union at United, used a vivid metaphor to describe the United ESOP. He described it as an oversized \$4.88 billion dollar gift, fitted with a red ribbon, that had been sitting in the center of an extremely large stadium surrounded by 85,000 participants. In the seven years that had passed since it had been delivered to the stadium, no one had figured out how to untie the ribbon and open the box. *(For further details, please see see United It Was Not, an extended treatment of the United Airlines case at www.ownershipassociates.com).*

The authors of this "Ownership Advantage" are members of The ESOP Association's Advisory Committee on Ownership Culture. For further information, please contact Committee Chair Loren Rodgers at 202-617-497-4580 or lr@ownershipassociates.com. ●

(from HERO, page 1)

launched a 30-year campaign to convince the Republican Party to make employee ownership a key aspect of its message to American voters.

Furthermore, his campaign actually led to the introduction of what is arguably the first pro-employee ownership legislation in 1967 in the Congress, and an employee ownership plank in the 1968 Republican Party platform.

Mr. Bradford recently presented The ESOP Association's archives with documents evidencing the history of his one-man crusade to encourage leaders of the Republican Party to develop and promote policies that would expand employee ownership of many businesses

Reading the documents and letters is a treasure trove which includes many national, political names, well-known during the last half of the 20th Century. Letters and communications that are more than mere formalities from former Presidents Gerald Ford and Richard Nixon, Michigan Governor and Presidential candidate George Romney, Vice Presidential candidate William Miller, various Senators including Jacob Javits, William Goodell, Robert Griffith, assistants to Presidents, and numerous members of Congress, primarily former Congressman Guy VanderJagt who pushed the Nixon White House hard to consider Bradford's ideas, were among the many.

If one digs behind the scenes to discussions on employee ownership policies during the development of ERISA in the early 70's, and the later developments led by Senator Russell B. Long for ESOPs, one finds that many Republican members of Congress, mainly those that Mr. Bradford had diligently contacted about employee ownership in the 60's and 70's, are helping supported Senator Long in meaningful, often quiet ways.

And while the strong support of ESOPs by former President Ronald Reagan in the 80's can be directly traced to Dr. Kelso, and then Senator Long, untold episodes of these leaders that Mr. Bradford had "lobbied" on employee ownership made their way to the Reagan White House and his key advisors, and reinforced President Reagan's commitment.

Advocates for employee ownership began to emerge and speak out more than a century ago, but Mr. Judson Bradford's aggressive fight for favorable ESOP legislation in the second half of this century should be lauded. ●

New ESOP Communication Video!

ESOPs: The Way to do Business in the 21st Century

Featuring testimonials from employee owners and footage from countless, great ESOP companies, this all-new, documentary style video is perfect for business owners seeking a succession plan, for companies considering ESOP implementation, as well as for companies with existing ESOPs, as a communications tool for new employees. Cost is \$50 for Members, and \$100 for Non-Members. The video is also available with Spanish subtitle or as a CD-ROM.

For details, please call Julia Robinson at 202-293-2971 or e-mail julia@esopassociation.org.

