



The Mid-Atlantic Chapter of
The ESOP Association

ESOP Company Governance 101: Who Are the Players & Their Roles?

2019 Annual Fall ESOP Conference | Charlottesville, VA

September 24-25, 2019



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The ESOP Association



The ESOP Association

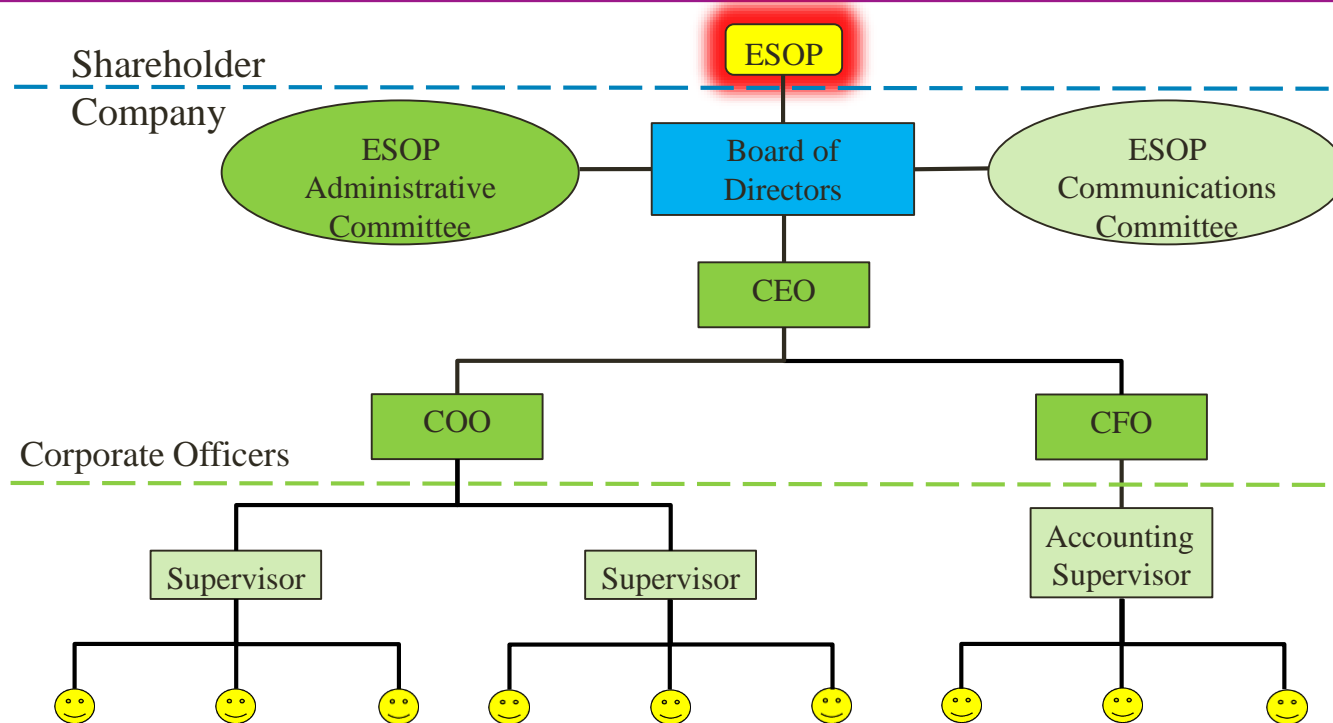
- The Mid-Atlantic Chapter is **your** local chapter of The ESOP Association. There are 18 chapters across the country.
- As a member of this chapter you are **automatically enrolled, at no additional cost**, in the national ESOP Association.
- Your membership provides you with **free** materials and **discounted** conferences, publications, and more.

Visit ESOPAssociation.org to learn more.

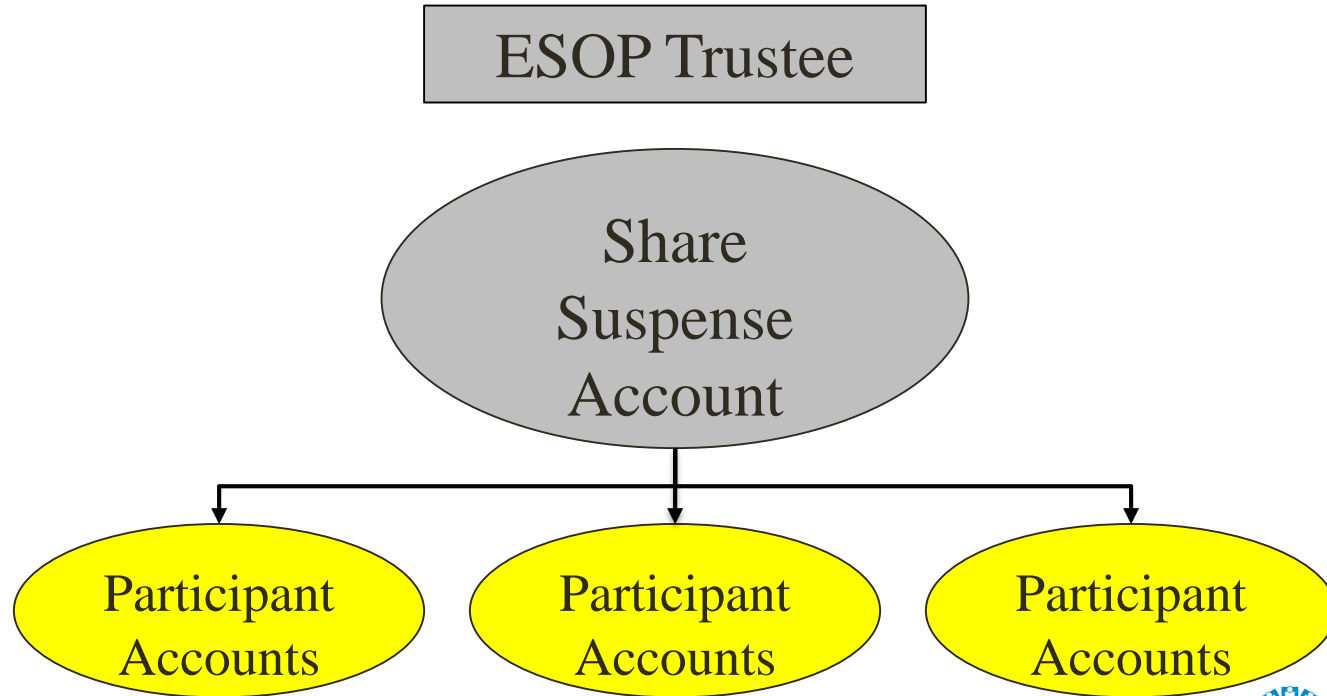
OVERVIEW

- This presentation will walk attendees through the corporate structure of a “typical” ESOP Company and explain who are the actors and what they do.

ESOP COMPANY CORPORATE STRUCTURE



WHAT IS AN ESOP?

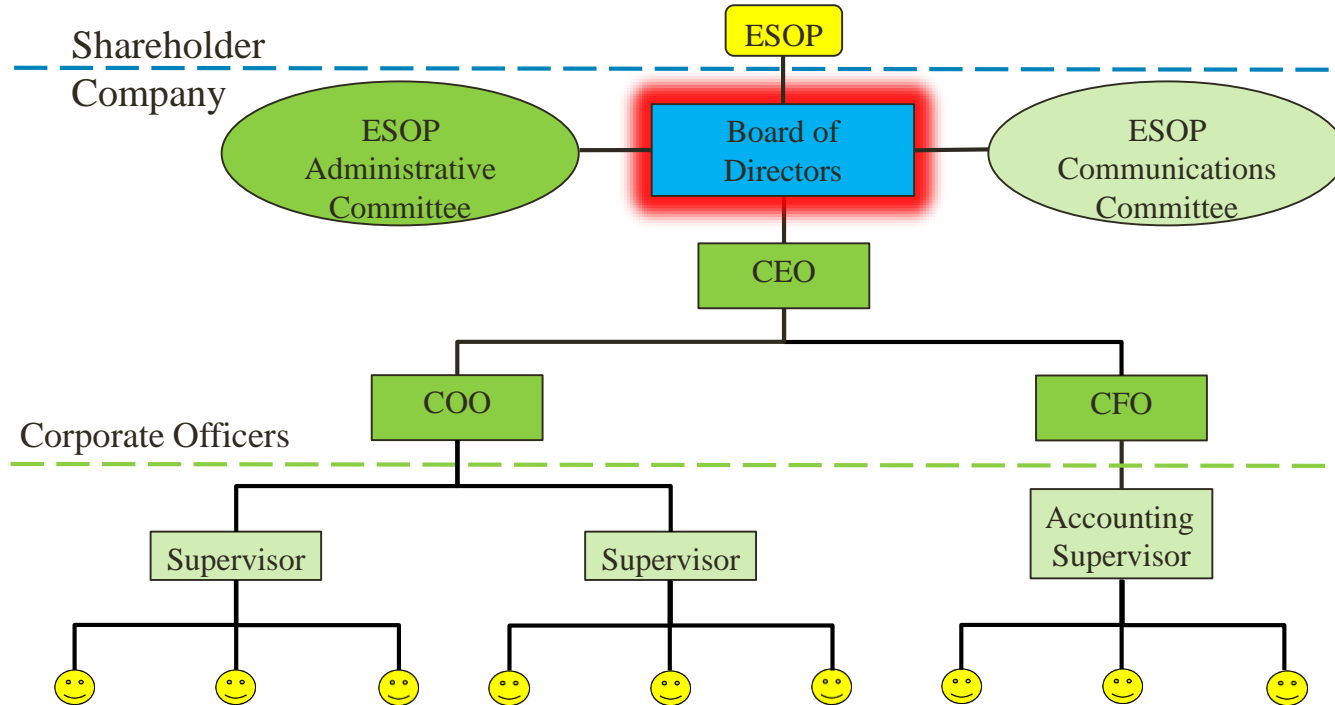


ESOP TRUST IS COMPANY SHAREHOLDER

- Represented by ESOP Trustee
 - Operates ESOP (i) for the exclusive benefit of ESOP Participants; and (ii) in accordance with ESOP Plan Document
 - Determines annual share value
 - Oversees distributions to Participants
 - Votes ESOP's shares of stock annually to elect members of Board of Directors
 - Such selections may be directed by ESOP Administrative Committee (discussed later)
 - Approves purchases and sales of stock



ESOP COMPANY CORPORATE STRUCTURE

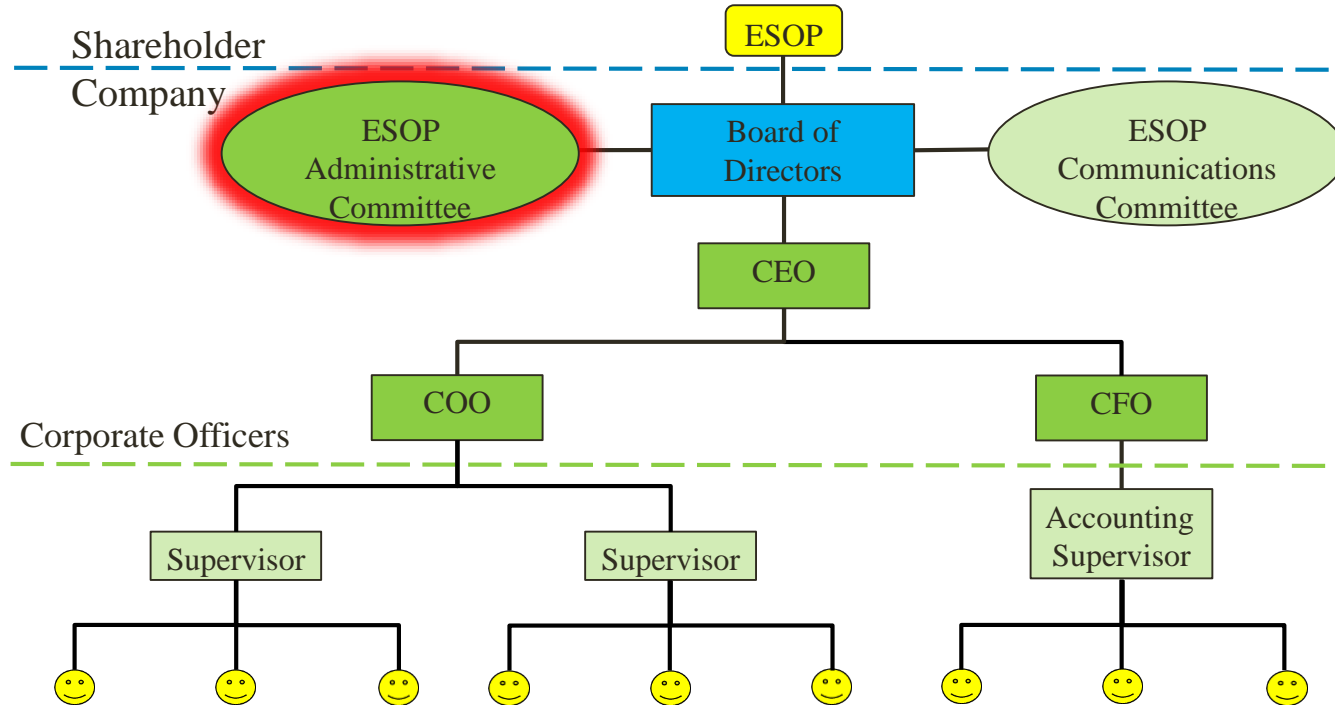


BOARD OF DIRECTORS

- In general:
 - Oversees management/CEO
 - Hires CEO
 - Appoints corporate officers
 - Makes longer term decisions regarding Company's future direction
- With respect to ESOP:
 - Selects and monitors ESOP Trustee
 - Selects members of ESOP Administrative Committee
 - Approves ESOP amendments recommended by ESOP Administrative Committee
 - Determines ESOP contributions, distributions, and dividends



ESOP COMPANY CORPORATE STRUCTURE

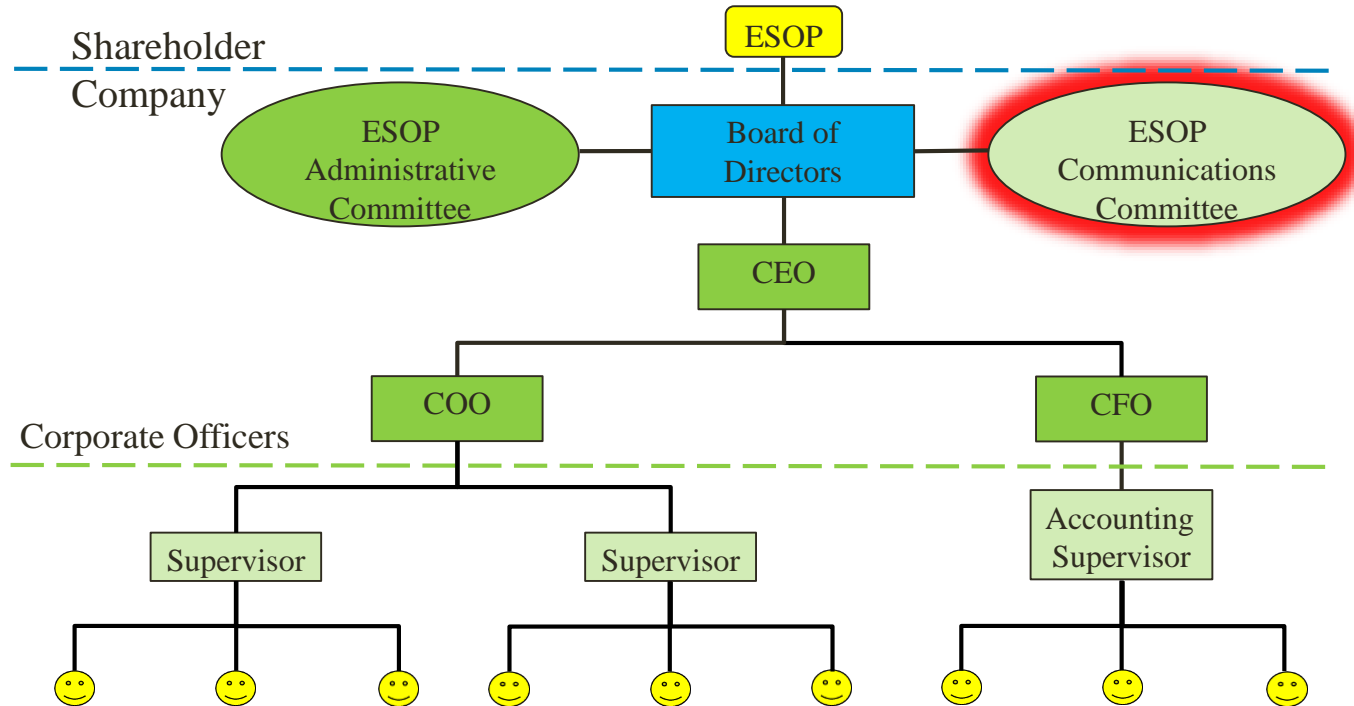


ESOP ADMINISTRATIVE COMMITTEE

- Primarily responsible for administrative oversight of ESOP
 - Participant eligibility
 - Recordkeeping
 - Compliance with administrative procedures (employee complaints, document distribution)
- Interprets ESOP Plan Document provisions
- Provides directions to ESOP Trustee regarding annual election of members of Board of Directors (if directed Trustee)
- Recommends ESOP amendments to Board of Directors



ESOP COMPANY CORPORATE STRUCTURE

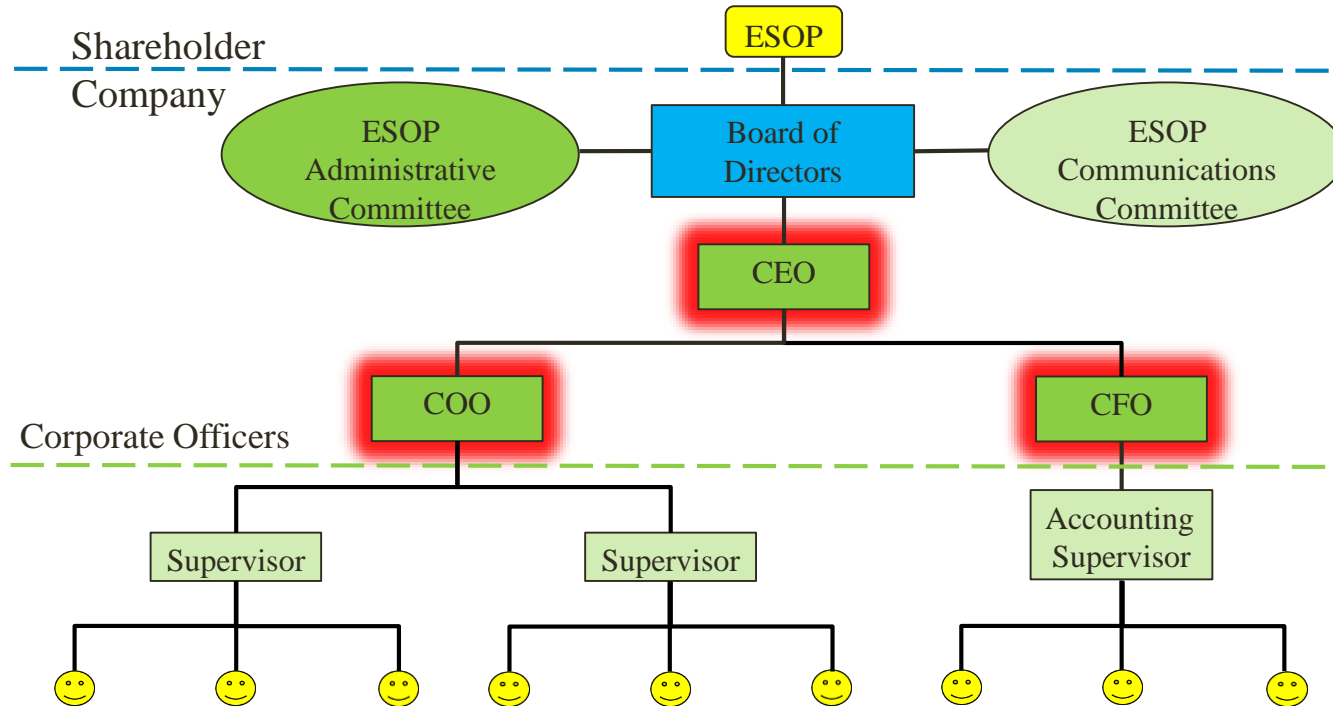


ESOP COMMUNICATIONS COMMITTEE

- Not required, and usually not defined in ESOP Plan Document
- Company's leaders choose Committee's function and purpose
- Committee members selected by Company's leaders and employees
- Common roles
 - Communicates ESOP's benefits
 - Deepens Company's ownership culture



ESOP COMPANY CORPORATE STRUCTURE

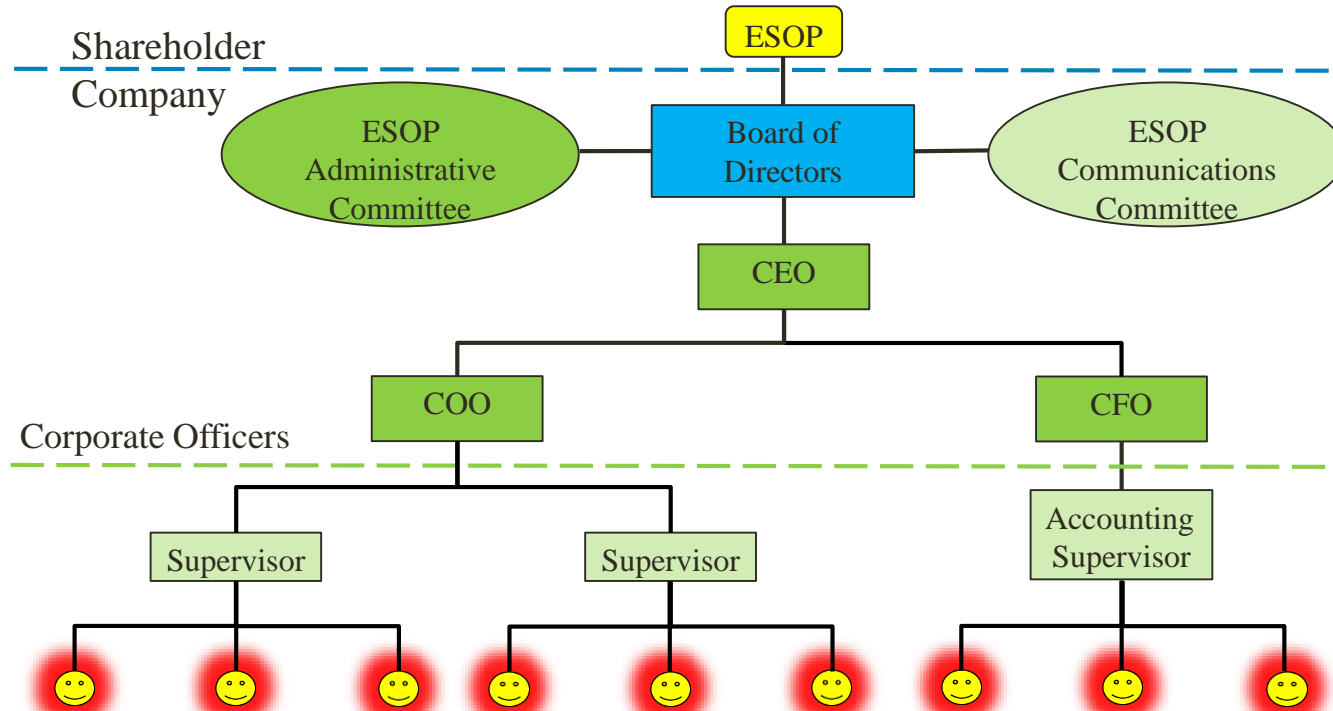


CORPORATE OFFICERS/MANAGEMENT

- Handle day-to-day decision-making for Company
- Execute longer term vision set by Board of Directors
- Together with employees/ESOP Participants, select members of ESOP Communications Committee
- Usually serve on Committees of the Board, or consult with ESOP Administrative Committee



ESOP COMPANY CORPORATE STRUCTURE



EMPLOYEES/ESOP PARTICIPANTS

- Together with corporate officers/management, select members of ESOP Communications Committee
- Work to improve Company's bottom line, which will, in turn, increase ESOP account balances (Company does well = increase in share value)
- For certain rare, major corporate events, vote shares of stock in ESOP accounts



QUESTIONS?



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Christopher L. McLean

Christopher L. McLean
Member
Kaufman & Canoles, P.C.
1420 Spring Hill Road
Suite 600, Office 606
McLean, VA 22102
T (757) 624.3171
clmclean@kaufcan.com
www.kaufCAN.com



- Christopher L. McLean, a member at Kaufman & Canoles, P.C. and a Director of ESOP Strategies, LLC, has an extensive background in corporate law including M&A transactions and Benefit Corporations to complement his broad ESOP background. Christopher has worked with numerous corporations in a wide range of corporate ownership succession transactions, including leveraged buyouts, corporate stock repurchases, and corporate reorganizations in addition to Benefit Corporation elections. His ESOP practice focuses primarily on the design, implementation, maintenance, and compliance of ESOPs, while representing ESOP sponsors or trustees.
- Christopher's employee benefits practice focuses on the design, implementation, maintenance and compliance of employee stock ownership plans. Christopher works with both ESOP Sponsors and ESOP Trustees in initial stock purchase transactions, second stage transactions and sale transactions of successful ESOP companies. Christopher also advises ESOP Sponsors in the management of mature ESOPs including evaluating repurchase obligation options, resolving administrative issues, counseling on acquisitions and secondary purchase transactions, and coordinating and designing executive compensation plans complimentary to ESOPs.

Markita Madden-Puckett

Markita Madden-Puckett
Customer Services Representative
ComSonics, Inc.
1350 Port Republic Road
P.O. Box 1106
Harrisonburg, VA 22801
T (800) 336.9681 ext. 1247
markitam@comsonics.com
www.ComSonics.com



- Markita has been an employee-owner at ComSonics, Inc. for over 18 years working in sales and customer service. She presently works with the Dallas and Denver markets where she has established long-term relationships with customers who place great trust in the reputation built by ComSonics, Inc. in the CATV industry.
- Markita served on the ComSonics, Inc. Employee Advisory Committee for 10 years, chairing it for 7 years. In her role as chair, she also served as a full-voting member of the company board of directors. She served in this role during a great company transition—the retirement of one CEO and the search and hiring of a new one. Markita considers her experience and tenure with the EAC as “on the job training” for all things ESOP.

ADMIN

- Please fill out the conference evaluation being sent electronically this afternoon.
- Your feedback on topics and presenters is important and will be used to develop subsequent TEA programs



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Christopher L. McLean
Kaufman & Canoles, P.C.
clmclean@kaufcan.com

Markita Madden-Puckett
ComSonics, Inc.
markitam@comsonics.com



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