

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBCOMMITTEE

946 SCOMM32: AK GENERAL STOCK OWNERSHIP CORP. 1979-80 946

APPENDIX A
QUESTIONNAIRE ANSWERS

A. COMPANY INFORMATION

1. Type of Industry _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Manufacturing	52	28.9%
Wholesale	31	17.2
Financial	21	11.7
Construction	18	10.0
Service	17	9.4
Retail	12	6.7
Professional	11	6.1
Agriculture	2	1.1
Utility	1	.6
Other	10	5.5
No response	5	2.8
Sample:	<u>180</u>	<u>100.0%</u>

2. Number of principal stockholders:

<u>Category</u>	<u>No.</u>	<u>Percent</u>
1. 1	30	17.4%
2. 2-5	72	41.6
3. 6-10	21	12.1
4. 11 or more	50	28.9
Sample:	<u>173</u>	<u>100.0%</u>

3. Annual Sales:

<u>Category</u>	<u>No.</u>	<u>Percent</u>
1. 0 - \$1,000,000	14	8.3%
2. \$1,000,001 - \$5,000,000	48	28.4
3. \$5,000,001 - \$10,000,000	33	19.5
4. \$10,000,001 - \$30,000,000	48	28.4
5. Over \$30,000,000	26	15.4
Sample:	<u>169</u>	<u>100.0%</u>

B. EMPLOYEE INFORMATION (estimates acceptable)

4. (a) Number of full time employees _____

I. Complete Data

Sample: 178
 Range: 1-44,000
 Mean: 971
 Standard Dev.: 5327
 Median: 90
 Mode: 30, 70, 100, 120
 Mode frequency: 5 each

II. Data in which very large companies and those with unions included in employment figures but not in the ESOP have been removed.

These figures more accurately reflect the number of participants in plans.

Sample: 157
 Range: 1-1900
 Mean: 151
 Standard Dev.: 243
 Median: 75
 Mode: 70, 100
 Mode frequency: 5 each

(b) Number of part time employees _____

Figures not meaningful.

(c) Is there a union?

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	48	27.3%
No	128	72.7
Sample:	<u>176</u>	<u>100.0%</u>

5. Employee age mix (percentage): Under 35 _____% 35-50 _____%
Over 50 _____%

It was difficult to categorize the results of this question in a meaningful way. More substantive information came from written comments particularly those related to turnover. (See question 7)

On the average, the greatest number of employees (49%) in a firm are included in the "under 35" years old category. About 37% fall within the "35-50" age category and the remaining 14% fall into the "over 50" age group.

<u>Category</u>	<u>Mean</u>	<u>Standard Deviation</u>
Under 35	49.4%	24.0%
35-50	36.5	18.5
Over 50	14.1	12.1
Sample: 163	<u>100.0%</u>	

6. How many employees leave the company each year? _____
Of these, how many are fully vested? _____
How many are not fully vested? _____

Generally, figures not meaningful. The average annual turnover for the sample was about 18%.

7. (a) Has the plan had any effect on the number of people leaving each year? (yes/no) _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	31	21.1%
No	116	78.9
Sample:	<u>147</u>	<u>100.0%</u>

- (b) Please comment _____

Many of those responding believe their plans have not been in effect long enough to know whether there is an effect on turnover. Some feel turnover is due to factors other than the ESOP. Some feel age or position in the company makes a difference.

Comments:

- "Too short a time to know"
- "Too young"
- "Plan not in effect long enough. Impossible to tell"
- "Plan not a major reason for leaving"
- "Industry and area, not plan"
- "Other reasons are overriding"
- "Employees leave because of age or school. They don't look for ESOP as security"
- "No effect on people under 35 years old"
- "Probably not; hourly workers seem generally not to comprehend significance of the plan to them"
- "Turnover among younger more lowly paid employees to whom ESOP has less value"
- "Not yet, but we are concerned that some younger employees will be tempted to leave once they have some money they can cash in"
- "No effect. The plan is comparatively new; this could be the reason. Also during periods of high inflation, younger employees particularly need cash"
- "ESOP has no effect on retention"
- "Disappointment to company"
- "It has been a consideration, but as far as we know, the ESOP has never stopped anyone"

7. (b) Continued

- "Two employees left in order to get the money and use it to go into business against us"
- "Believe it encourages some early leavings when individuals have \$20,000-50,000 in vested accounts"
- "Believe at least two employees left due to a sharp drop in stock valuation in a lean year"
- "Once people are in the plan, the farsighted employees see advantages. A longer admission period would simplify administration"
- "Believe it has some effect in reducing employee turnover"
- "Turnover reduced"
- "It seems to have slowed turnover rate for full time employees slightly"
- "Effect only for employees with more years of service"
- "Employees like having ownership in the company"
- "Older employees stay"
- "Acts as a deterrent"
- "Once approximately 50% vested, employees don't leave"
- "Plan only in 4th year; no vesting until 5th year"
- "Not possible to determine if some employees remain specifically because of the plan"
- "We have no highly vested employees"
- "Yes for people who are vested. No for those who aren't"
- "Plan has not been properly promoted"
- "Plan not well understood"
- "Too intangible"
- "We have had low turnover for years prior to establishment of ESOP"
- "Equity not large enough yet"
- "Some have returned"

C. PLAN DESCRIPTION

8. Type of plan (stock bonus, stock bonus and money purchase):

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Stock bonus:	154	87.0%
Stock bonus and money purchase:	23	13.0
Sample Size:	<u>177</u>	<u>100.0%</u>

Seven of the stock bonus plans are actually TRASOPS (Tax Reform Act ESOPS). The companies with TRASOPS are the largest companies in the sample and are primarily in the petroleum industry and utilities.

9. Length of time plan has been in effect (to nearest month) _____

Sample size:	173	
Maximum:	145	months
Minimum:	6	"
Mean time in effect:	36.4	"
Standard Deviation:	18.4	"
Median:	34	"
Mode:	24	"
Mode frequency:	19	

The average age of the plans is three years; many of those responding indicated that plans were too new to make definite judgments about them.

10. How many months were required from the time work was begun on the plan until it went into effect? _____

Sample Size:	174	
Maximum:	43	months
Minimum:	1	"
Mean:	7.8	"
Standard Deviation:	5.7	"
Median:	6	"
Mode:	6	"
Mode frequency:	53	

11. (a) Was a "liquidity analysis" or "dilution study" done prior to the implementation of the plan? (yes/no) _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes:	81	45.8%
No:	96	54.2
Sample:	<u>177</u>	<u>100.0%</u>

- (b) If yes, was it done by someone from inside the company or by someone from outside the company?

Inside:	33	40.7%
Outside:	37	45.6
Both inside and outside	11	13.7
Sample	<u>81</u>	<u>100.0%</u>

- (c) Are such studies now done on a regular basis (yes/no)? _____

Yes:	46	29.5%
No:	110	70.5
Sample:	<u>156</u>	<u>100.0%</u>

- (d) How often? (are studies done)

Annually:	42	84.0%
Misc. Other:	8	16.0
Sample:	<u>50</u>	<u>100.0%</u>

12. Trust assets are:

<u>Category</u>	<u>No. of Responses</u>	<u>Percentages</u>
1. \$50,000 or less	28	16.0%
2. \$50,001 - \$100,000	24	13.7
3. \$100,001 - \$500,000	68	38.9
4. \$500,001 - \$1,000,000	25	14.3
5. Over \$1,000,000	30	17.1
Sample:	<u>175</u>	<u>100.0%</u>

13. Annual Contributions are:

A number of respondents indicated that the annual contribution varies from year to year dependent on a number of factors. In cases where two categories were checked due to yearly variations, the answer was not included in the sample.

<u>Category</u>	<u>No. of Responses</u>	<u>Percentages</u>
1. \$25,000 or less	30	18.2%
2. \$25,001 - \$50,000	30	18.2
3. \$50,001 - \$100,000	35	21.2
4. \$100,001 - \$500,000	49	29.7
5. \$500,001 - \$1,000,000	12	7.3
6. Over \$1,000,000	9	5.4
Sample:	<u>165</u>	<u>100.0%</u>

14. (a) Are annual contributions in the form of stock? _____
 Cash? _____ or a combination? _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Stock	56	32.4%
Cash	70	40.4
Combination (stock and cash)	47	27.2
Sample:	<u>173</u>	<u>100.0%</u>

- (b) Does it vary?

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	57	52.8%
No	51	47.2
Sample:	<u>108</u>	<u>100.0%</u>

Comments:

"No, but it may vary in the future?"

"Stock contribution so far; anticipate a combination later on"

"Initial contribution was in stock; subsequent contributions have been in cash and will continue to be"

"Contributions are in stock only, but it varies between common and preferred"

15. (a) Is the plan the result of a conversion from a previous employee benefit plan? (yes/no) _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	54	30.3%
No	124	69.7
Sample:	<u>178</u>	<u>100.0%</u>

Comments:

"Split off from existing profit sharing plan"

"Insured annuity purchase was frozen in 1970"

"Original plan was dropped; it didn't cover everyone"

- (b) Is the plan combined with any other benefit plan? (yes/no) _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	40	27.0%
No	108	73.0
Sample:	<u>148</u>	<u>100.0%</u>

- (c) If yes, please specify _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Profit sharing	18	45.0%
Pension	13	32.5
Other	9	22.5
Sample:	<u>40</u>	<u>100.0%</u>

16. Is, or was, the plan leveraged (e.g., has the trust ever obtained a loan)?

A relatively low number of participants (16%) indicated their plans were leveraged. The question, however, did not ask if leveraging was a possibility in the future.

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	29	16.3%
No	149	83.7
Sample:	<u>178</u>	<u>100.0%</u>

17. What types of securities (e.g., common, preferred, voting, non-voting) does the plan have? _____

In addition to the statistics below, some respondents indicated the trust held debentures and bonds, and several respondents mentioned interest bearing notes. One respondent said the stock was voting common now but would be non-voting later.

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Common:		
Non-specified	90	62.1%
Voting	24	16.5
Non-voting	12	8.3
Preferred:		
Non-specified	8	5.5
Voting	1	.7
Non-voting	6	4.1
Both Common and Preferred:	4	2.8
Sample:	<u>145</u>	<u>100.0%</u>

18. (a) What are the vesting requirements?

Responses were broken down into three main categories:

<u>Category</u>	<u>No.</u>	<u>Percent</u>
100% immediate vesting	9	5.8%
Statutory maximum period of 15 years	14	9.1
Vesting from 1-14 years	131	85.1
Sample:	<u>154</u>	<u>100.0%</u>

Most of those plans with 100% immediate vesting are TRASOPS. In the last category (vesting from 1-14 years), 79 plans (51.3% of the total sample) have ten year, 10% per year vesting requirements often with the vesting starting at 40% after four years. Several respondents indicated they were considering a change in their plan's requirements.

(b) Are there any specific vesting requirements with respect to non-resident aliens, union employees, etc.? _____

Twenty-six participants mentioned specific vesting requirements. Exclusion of union members was the most common (19 responses). Several indicated only salaried employees are eligible for the plan. Two said non-resident aliens are excluded while one said they are included. One plan requires California residency.

19. (a) Does the plan carry life insurance? (yes/no) _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	28	16.0%
No	147	84.0
Sample:	<u>175</u>	<u>100.0%</u>

(b) If yes, on everyone? (yes/no) _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	3	12.5%
No	21	87.5
Sample:	<u>24</u>	<u>100.0%</u>

(c) On key people only? _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	23	82.1%
No	5	17.9
Sample:	<u>28</u>	<u>100.0%</u>

(d) Is the trust the beneficiary? _____ If not, then who is? _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Trust	22	78.6%
Company	1	3.6
Employee choice	5	17.8
Sample:	<u>28</u>	<u>100.0%</u>

20. (a) Does the plan provide for a "put" to the trust, the company, or other party for a period of time? (yes/no) _____

A "put" option permits the employee to sell his shares back to the trust within a certain time limit following distribution. As of September 2, 1977, the final regulations require a "put" for a minimum of 15 months for leveraged plans.

A few of the respondents said they did not understand the term "put". Others, who said their plan did not provide a "put" in response to this question, described a "put" option in the following question regarding distribution of the stock. Because the question as it was presented may not have been well understood, the results may not be meaningful.

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	68	42.5%
No	92	57.5
Sample:	<u>160</u>	<u>100.0%</u>

- (b) If yes (the plan provides a "put"), what is the length of time (to nearest month)? _____

Sample:	45
Range	0 = "Indefinite"
Mean	9.3 months
Standard Dev.	18.6 "

21. How is stock distributed to vested employees upon termination, and what are the particular requirements of the plan in this regard?

The majority of plans distribute stock in a lump sum with certificates for whole shares and cash for fractional shares. Many of the plans offer to buy back the stock immediately, often doing so without actually transferring certificates.

Some plans offer the flexibility of annuity payments. A few plans require employees to wait until retirement age before the stock is distributed regardless of when the employees leave the company.

Comments:

"Distributed within six months of termination"

"Regular stock certificates usually converted to cash"

"Letter informing of stock in their name with an offer to repurchase for cash"

"Can not own shares until age 65. Upon termination prior to this time, the ESOT endeavors to repurchase at current value"

"Can be held until retirement, disability or death, or distributed at once"

"Priority to newly terminated employees for repurchase rather than regular stockholders; those recently terminated will get the first chance to sell back to the trust"

"Cash payment in lieu of stock"

"Under \$1750, stock distributed upon termination, others upon attainment of age 60"

"Employees have choice between holding stock, lump sum payment or payment over a period of time"

"Mailed"

"Haven't faced this yet"

"None vested yet"

"Not definitely settled"

D. ADMINISTRATION

22. (a) Is the plan audited by independent accountants? (yes/no) _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	115	63.5%
No	66	36.5
Sample:	<u>181</u>	<u>100.0%</u>

(b) If no, will it be? _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	19	47.5%
No	21	52.5
Sample:	<u>40</u>	<u>100.0%</u>

23. Is there a formal accounting procedure or allocation manual? _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	115	66.1%
No	59	33.9
Sample:	<u>174</u>	<u>100.0%</u>

24. (a) How often is the stock appraised? _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Annually	141	88.1%
Semi-annually	5	3.1
Quarterly	5	3.1
Other	6	3.8
Not done	3	1.9
Sample:	<u>160</u>	<u>100.0%</u>

24. Continued

- (b) By whom is it appraised (e.g., independent appraisers, auditors, etc.)?

There appears to have been some confusion in the minds of some respondents as to what constituted an independent appraiser as opposed to an auditor. It is assumed that some people who responded with "independent appraiser" really meant "auditor."

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Independent appraiser	80	47.3%
Auditor	38	22.5
Publicly traded	22	13.0
*Other	26	15.4
Not done	3	1.8
Sample:	<u>169</u>	<u>100.0%</u>

* Includes: trustee, board of directors, bank, attorney, accountant, plan committee, "internal formula"

- (c) Satisfaction with stock appraisal (circle one):

Not Satisfied 1 2 3 4 5 Highly Satisfied

Mean ranking: 4.17
Standard Deviation: 1.04

<u>Category</u>	<u>No.</u>	<u>Percent</u>
1	6	3.8%
2	1	.6
3	34	21.7
4	36	22.9
5	80	51.0
Sample:	<u>157</u>	<u>100.0%</u>

24. Continued

(d) Satisfaction with valuation firm(s):

Not Satisfied 1 2 3 4 5 Highly Satisfied

Mean ranking: 4.11

Standard Deviation: 1.15

<u>Category</u>	<u>No.</u>	<u>Percent</u>
1	7	5.7%
2	2	1.6
3	26	21.1
4	23	18.7
5	65	52.9
Sample:	<u>123</u>	<u>100.0%</u>

(e) Have you changed valuation firms? (yes/no)_____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	8	6.0%
No	125	94.0
Sample:	<u>133</u>	<u>100.0%</u>

(f) Are you contemplating a change? (yes/no)_____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	7	6.4%
No	102	93.6
Sample:	<u>109</u>	<u>100.0%</u>

25. (a) Who provides legal services for the plan?

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Corporate legal dept.	23	12.9%
Outside corporate counsel	113	63.1
Independent attorney for plan only	36	20.1
*Other	7	3.9
Sample:	<u>179</u>	<u>100.0%</u>

* Includes: professional plan/record keeper, bank, accountant, company secretary/treasurer.

(b) Satisfaction with legal services (check one):

Not Satisfied 1 2 3 4 5 Highly Satisfied

Mean ranking: 4.22
Standard Deviation: .98

<u>Category</u>	<u>No.</u>	<u>Percent</u>
1	3	1.8%
2	7	4.2
3	27	16.2
4	44	26.3
5	86	51.5
Sample:	<u>167</u>	<u>100.0%</u>

26. (a) Who provides administrative services (account allocations, etc.) for the plan?

In a sample of 177, 68 plans (38.4%) have internal corporate administrative services, 79 (44.7%) employ outside administrators, and 30 (16.9%) use a combination of the two.

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Internal:		
Separate benefit staff	4	2.3%
Personnel department	3	1.7
Accounting department	38	21.4
Computer department	4	2.3
Other (comptroller, treasurer, trustee, stock committee, president)	12	6.8
More than one internal department	7	3.9
External:		
Accountant	6	3.4
Bank	12	6.8
Insurance company		
Professional plan/record keeper	51	28.8
Other (attorney, savings and loan officer, computer job shop)	4	2.3
More than one external administrator	6	3.4
*Combined internal and external administration	30	16.9
Sample:	<u>177</u>	<u>100.0%</u>

*Internal accounting department combined with professional plan/record keeper most often cited.

26. Continued

(b) Satisfaction with administrative services:

Not Satisfied 1 2 3 4 5 Highly Satisfied

Mean ranking: 4.09

Standard Deviation: 1.09

<u>Category</u>	<u>No.</u>	<u>Percent</u>
1	6	4.0%
2	6	4.0
3	29	19.2
4	37	24.5
5	73	48.3
Sample:	<u>151</u>	<u>100.0%</u>

27. (a) Who serves as the plan's trustee: an individual, a committee, an institution? _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Individual	41	23.3%
Committee	69	39.2
Institution	66	37.5
Sample:	<u>176</u>	<u>100.0%</u>

(b) (Trustee's) Prior relationship to the company:

Of 176 companies responding, 76 or 43% indicated that they had a prior relationship with their trustee.

27. Continued

(c) (Trustee's) Current relationship to the company:

In most cases where the respondent noted a prior relationship between the company and the trustee, the same relationship was currently present.

(d) Satisfaction with trustee:

Not Satisfied 1 2 3 4 5 Highly Satisfied

Mean Ranking: 4.25
Standard Deviation: .97

<u>Category</u>	<u>No.</u>	<u>Percent</u>
1	3	1.9%
2	6	3.8
3	24	15.1
4	42	26.4
5	84	52.8
Sample:	<u>159</u>	<u>100.0%</u>

28. What did it initially cost to install the plan? (Please categorize if possible)

Due to the difficulty of distinguishing between internal and external costs and to the difficulty of dividing expenses neatly into the categories provided, the statistical results of this question, and of question 29 (Annual Maintenance Costs), should be considered only as rough approximations of installation costs.

Results from two samples are included. The first sample of 146 companies contains complete data. The second sample of 142 companies contains all data except for very low or very high figures. The low figures were removed because they appeared to reflect internal costs as opposed to external costs. The high figures were removed because they tend to distort the rest of the data. Generally these figures represented costs of the several very large companies with over 30,000 employees.

The histograms provide a more accurate picture than the calculated means.

28. COSTS OF INSTALLING THE PLAN: All Data Included

CATEGORY	SAMPLE SIZE	RANGE		MEAN	STANDARD DEVIATION	MEDIAN	MODE	MODE FREQUENCY
		MINIMUM	MAXIMUM					
Design and IRS Qualifi- cation	56	\$300	\$125,000	\$10,351	\$19,196	\$5,000	\$5,000	11
Legal	74	\$200	\$ 40,000	\$ 5,490	\$ 6,944	\$3,500	\$5,000	12
Design, IRS *Qualification and Legal Combined	104	\$600	\$125,000	\$10,834	\$16,290			
Accountants	49	\$150	\$ 12,000	\$ 1,792	\$ 1,969	\$1,000	\$1,000	11
Trustee	29	\$100	\$ 20,500	\$ 2,209	\$ 4,176	\$1,000	\$ 500	8
Administration	54	\$100	\$ 30,000	\$ 3,850	\$ 5,934	\$1,500	\$ 500	10
**Other								
TOTAL INSTALLATION COSTS	146	\$500	\$125,000	\$14,695	\$18,790	\$9,000	\$5,000	12

** Included because in many cases, respondents grouped legal and design/IRS qualifications together.

* Other costs mentioned were: valuation, consultants, employee communications, in-house computer time, printing expenses and clerical time, negotiations to purchase stock from a testamentary trust, and "My time -- what a mess!".

28. COST OF INSTALLING THE PLAN: All costs below \$500 excluded as well as costs that are well above the general range of the data.

CATEGORY	SAMPLE SIZE	RANGE		MEAN	STANDARD DEVIATION
		MINIMUM	MAXIMUM		
Design and IRS Qualifi- cation	52	\$500	\$30,000	\$ 7,452	\$ 7,504
Legal	68	\$500	\$18,000	\$ 4,866	\$ 4,482
Accountants	42	\$500	\$ 5,000	\$ 1,770	\$ 1,283
Trustee	23	\$500	\$ 5,000	\$ 1,334	\$ 1,057
Administration	48	\$500	\$10,000	\$ 2,715	\$ 2,914
Other					
TOTAL INSTALLATION COSTS	142	\$500	\$52,000	\$12,204	\$11,296

29. What are the annual costs of maintaining the plan? (Please categorize if possible)

Due to the difficulty of distinguishing between internal and external costs and to the difficulty of dividing expenses neatly into specific categories, the statistical results of this question should be considered only as rough approximations of installation costs.

The histograms provide a more accurate picture than the calculated means.

As was done in question 28, installation costs of the plan, two sample results are included. The first contains complete data. The second excludes all costs under \$500 and all very high costs associated with the few, very large companies in the survey.

29. ANNUAL COSTS OF MAINTAINING THE PLAN: Complete Data

CATEGORY	SAMPLE SIZE	RANGE MINIMUM	MAXIMUM	MEAN	STANDARD DEVIATION	MEDIAN	MODE	MODE FREQUENCY
Auditing	71	\$100	\$20,000	\$1,489	\$ 2,530	\$1,000	\$1,000	12
Valuation	73	\$100	\$10,000	\$1,434	\$ 1,529	\$1,000	\$1,000	18
Legal	91	\$100	\$ 6,000	\$1,271	\$ 1,193	\$1,000	\$ 500	20
Administration	98	\$100	\$42,000	\$3,219	\$ 5,529	\$1,405	\$1,000	15
Trustee	69	\$150	\$88,400	\$3,454	\$10,713	\$1,500	\$ 500	11
*Other								
TOTAL ANNUAL MAINTENANCE COSTS	127	\$500	\$150,400	\$7,561	\$14,400	\$3,500	\$3,000 \$4,000	9 (each)

* Other maintenance costs mentioned were: forms and reports, internal evaluation, "government forms -- 90% of yearly cost"

29. ANNUAL COSTS OF MAINTAINING THE PLAN: All costs below \$500 excluded as well as costs that are well above the general range of the data.

CATEGORY	SAMPLE SIZE	RANGE MINIMUM MAXIMUM		MEAN	STANDARD DEVIATION
Auditing	52	\$500	\$ 6,000	\$1,432	\$ 977
Valuation	59	\$500	\$ 6,000	\$1,551	\$1,142
Legal	74	\$500	\$ 6,000	\$1,507	\$1,203
Administration	83	\$500	\$14,000	\$2,739	\$2,803
Trustee	67	\$500	\$11,500	\$2,044	\$2,350
Other					
TOTAL ANNUAL MAINTENANCE COSTS	123	\$500	\$25,000	\$5,766	\$5,107

E. REALIZED BENEFITS/ADVANTAGES OF THE PLAN

Please rank each of the following advantages according to the following scale:

0 = Not a factor 1 = Less important 2 = Important

<u>BENEFIT</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>SAMPLE</u>	<u>MEAN</u>	<u>STANDARD DEVIATION</u>
Improved employee motivation	9= 5.2%	43=24.7%	122=70.1%	174=100%	1.649	.577
Tax advantages	27=15.5%	36=20.7%	111=63.8%	174=100%	1.483	.751
Market for closely held stock	68=39.5%	33=19.2%	71=41.3%	172=100%	1.017	.901
Estate planning	58=33.5%	55=31.8%	60=34.7%	173=100%	1.012	.828
Cash liquidity	74=43.3%	24=14.0%	73=42.7%	171=100%	.994	.930
Liquidity for departing employees	60=35.1%	59=34.5%	52=30.4%	171=100%	.953	.810
Improved industrial relations	66=39.5%	47=28.2%	54=32.3%	167=100%	.928	.847
Executive compensation	76=44.4%	52=30.4%	43=25.2%	171=100%	.807	.814
Raising capital	98=57.7%	31=18.2%	41=24.1%	170=100%	.665	.842
Financing of new or existing debt	123=72.4%	21=12.3%	26=15.3%	170=100%	.429	.744
Divestiture/acquisition plans	132=78.1%	20=11.8%	17=10.1%	169=100%	.320	.649
Recapture of taxes paid in prior years	136=80.5%	15= 8.9%	18=10.6%	169=100%	.302	.653
Defense against takeover	140=82.4%	15= 8.8%	15= 8.8%	170=100%	.265	.611
Issuance of stock without registration	134=81.2%	19=11.5%	12= 7.3%	165=100%	.261	.583
*Other			6	6=100%		

* Includes: providing employees with ownership, enhancing the balance sheet (2), employee compensation (2) free dollar benefit, freedom from original owner--a one bank holding company, retirement program where none previously existed, deferred compensation.

F. PROBLEMS WITH THE PLAN

Please rank each of the following problems according to the following scale:

0 = Not a factor

1 = Less important

2 = Important

<u>PROBLEM</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>SAMPLE</u>	<u>MEAN</u>	<u>STANDARD DEVIATION</u>
Changing governmental regulations	30=17.4%	32=18.6%	110=64.0%	172=100%	1.465	.775
Administrative complexity	42=24.4%	53=30.8%	77=44.8%	172=100%	1.203	.809
Ongoing costs	66=38.6%	62=36.3%	43=25.1%	171=100%	.865	.789
Employee reaction	75=44.4%	50=29.6%	44=26.0%	169=100%	.817	.821
Dilution	97=56.7%	52=30.4%	22=12.9%	171=100%	.561	.712
Communications with former employees	115=68.5%	41=24.4%	12= 7.1%	168=100%	.387	.618
Stockholder objection to current or anticipated dilution	115=68.0%	44=26.0%	10= 5.9%	169=100%	.379	.596
Loss of confidentiality	119=70.8%	40=23.8%	9= 5.4%	168=100%	.345	.579
Obtaining ESOT loans (financing)	141=84.4%	16= 9.6%	10= 6.0%	167=100%	.216	.539
*Other			1	1=100%		

* Other problems: "government regulations are terrible!", lack of government regulations (2).

G. PERCEIVED EMPLOYEE REACTION:

(Rated on a scale of 1-5)

	1	2	3	4	5	Sample	Mean	Standard Deviation
Employee opinion of plan at time of installation (1=Unfavorable; 5=Highly favorable)	2 1.1%	17 9.6%	54 30.5%	36 20.4%	68 38.4%	177 100%	3.853	1.077
Current employee opinion of the plan (1=Unfavorable; 5=Highly favorable)	3 1.7%	11 6.2%	44 24.9%	70 39.5%	49 27.7%	177 100%	3.853	.954
Current employee understanding of the plan (1=Poor; 5=Good)	22 12.9%	37 21.6%	62 36.2%	35 20.5%	15 8.8%	171 100%	2.906	1.134
Plan's ability to compete with other benefit plans in keeping or attract- ing personnel: (1=Not effective; 5=Very effective)	20 11.6%	22 12.8%	46 26.7%	45 26.2%	39 22.7%	172 100%	3.355	1.283

H. OVERALL EVALUATION:

(Rated on a scale of 1-5)

	1	2	3	4	5	Sample	Mean	Standard Deviation
Is the plan living up to expectations? (1=Not at all; 5=Fully)	6	17	37	63	54	177		
	3.4%	9.6%	20.9%	35.6%	30.5%	100%	3.802	1.082

How complicated do you consider your plan? (1=Not complicated; 5=Very compli- cated)	27	20	56	36	39	178		
	15.2%	11.2%	31.5%	20.2%	21.9%	100%	3.225	1.326

How important is the plan to the company? (1=Not important; 5=Very important)	8	11	45	52	59	175		
	4.6%	6.3%	25.7%	29.7%	33.7%	100%	3.817	1.109

Would you install one again? (1=No; 5=Yes)	13	10	20	28	103	174		
	7.5%	5.7%	11.5%	16.1%	59.2%	100%	4.138	1.265

H. OVERALL EVALUATION continued

Would you install as ESOP again? (yes/no) _____ If not, why not? _____

The comments below were made by both those who answered yes to the above question and those who answered no.

Comments:

- "Complexity of ongoing costs and regulations" (several)
- "Bureaucratic government regulations" (several)
- "Plan is too new to know"
- "Too many government changes and each time it requires our lawyer to rewrite which is added cost"
- "Average employee not sophisticated enough to understand"
- "Accounting and communication with employees too complex, plus government indecision"
- "Better plans"
- "Not enough of a morale booster, didn't get funds back into company, costly"
- "Cancels employees' right to use IRAs"
- "Complexity of ERISA regulations"
- "Too difficult to make people understand the benefits--too much legalese--way too complex for employees to see the value of it"
- "Lack of favorable response from employees; tedium of paperwork"
- "Administrative headache"
- "Too long a time between payoff and motivation approach. Plan was poorly installed which created barriers to motivation. Prevents individuals from setting up personal I.R.A.s"
- "Not beneficial for small sized company"
- "We are non-union--plan is an influence to keep it that way"
- "Employees quit in order to get money"
- "Just not worth it"
- "Complexity and possible conflict of interest"
- "Too expensive to stockholders in the long run. Advantages largely illusory or temporary. Potentially disastrous to employees, if company were to fail (no diversification of investments in what they consider to be their retirement funds). High potential, even encouragement, for insider misuse...hence lawsuits and expensive litigation. Difficulty of valuation also very hazardous, both to employees and management. Another problem and maybe the major problem: As an ESOP matures (in our case it was "mature" when we converted from the profit sharing plan), it is impossible to forecast the cash demands on the trust (i.e., the demands to buy back shares). If you have to restrict flow, employees become disenchanted, maybe desert the shop en masse, or remain "locked-in" and

unhappy! I expect the ESOP vehicle will come under fire, and be emasculated or eliminated as soon as a few companies, highly leveraged with ESOPs, fail!"

"ESOP impractical except as a market for closely held stock. Profit sharing plan much preferred. With the former profit sharing plan, there were no investments in stock and never a single setback in a participant's account. The ESOP has seen serious setbacks (due to lean profit years and the resulting drop in stock valuation) and, until the fiscal year ended June 30, 1977, no recovery. Such setbacks have a very detrimental effect on morale. We hope this will reverse with this year's figures. Each and every participant leaving the company has requested (and received) an immediate repurchase of his stock. The issue of such stock and the repurchase seems so needless in such instances.

If (you were to install an ESOP again), would you make any changes in it? (yes/no) _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	19	16.7%
No	95	83.3
Sample:	<u>114</u>	<u>100.0%</u>

What changes? _____

"Simpler vesting"

"Try to keep definitions more simple but doubtful this is possible in light of ERISA"

"Simplify everything" (many)

"ERISA is killing us with paperwork"

"Vesting schedule" (several)

"Use common stock, not preferred"

"If we could change ESOP regulations"

"Government regulations provide for few options"

"Depends on government regulations"

"No "put" until retirement"

"Include employees participation earlier"

"Longer vesting schedule--it's for the people who stay, not the short-timers"

"(Assuming some reason for establishing plan..)"

"A better buy-back arrangement if possible"

"Make sure it's written in easy to understand ENGLISH"

H. OVERALL EVALUATION continued

Have you been asked to provide input or to comment on proposed changes in, or interpretations of, ESOP regulations? (yes/no) _____

<u>Category</u>	<u>No.</u>	<u>Percent</u>
Yes	26	15.4%
No	143	84.6
Sample:	<u>169</u>	<u>100.0%</u>

APPENDIX B

CORRELATIONS

APPENDIX BC O R R E L A T I O N S

Subsequent to the collection and summarization of the information provided by survey respondents (See Appendix A), the team determined that it would be of great interest and importance to find out if replies to one question on the questionnaire bore any relationship with replies to other questions on the same questionnaire. This relationship is known as correlation and measures the degree of association or correlation coefficient and has a value ranging from -1.0 to +1.0. A perfect correlation of +1.0 indicates that each time a change occurs in the response to one question, the other question changes in the same direction by a proportionate amount. If, on the other hand, the correlation coefficient is -1.0, a change in the value of one question is complemented by an equal change in value of the other question in the opposite direction. A correlation coefficient of 0 indicates that no apparent pattern of relationship exists.

In addition to the correlation calculations performed with the aid of a computer, additional statistical tests were performed to determine the statistical validity of the correlations. Throughout Appendix B, those correlations having statistical validity within a 95% confidence interval are denoted with an asterisk (*). Those correlations not bearing the asterisk are not necessarily invalid, but due to the size of the sample and the variation involved in the replies do not have a 95% reliability.

I. Annual Sales

Annual sales were correlated with total annual maintenance costs and with overall satisfaction with the plan. (A few very high and several very low figures were deleted from the sample of annual maintenance costs for the purpose of minimizing distortion.)

Total annual costs tend to level off as sales volume increases. Also, refer to Appendix C, Exhibit 1.

Annual Sales (in millions of dollars)

	Less than <u>1 mil.</u>	<u>1-5 mil.</u>	<u>5-10 mil.</u>	<u>10-30 mil.</u>	Over <u>30 mil.</u>
Average Annual Maintenance Cost (\$)	1,319	3,022	4,982	6,637	11,116

Annual sales correlated with overall satisfaction with the plan showed no trend except where sales exceeded \$10,000,000 per year. For each of the questions in the table below the responses were given on a scale of 1 to 5 (1=lowest rating; 5=highest rating). The figures in the table represent the mean (average) response for the ratings for each question.

		<u>Annual Sales (in millions of dollars)</u>				
		<u>Less than 1 mil.</u>	<u>1-5 mil.</u>	<u>5-10 mil.</u>	<u>10-30 mil.</u>	<u>Over mil.</u>
(59)	Is the plan living up to expectations?	3.62	3.56	3.69	4.08	4.17
(60)	How complicated do you consider your plan?	3.38	3.25	2.73	3.65	3.00
(61)	How important is the plan to the company?	3.46	3.77	3.81	4.25	3.91
(62)	Would you install one again?	4.23	3.89	3.85	4.38	4.22
AVERAGE RATING FOR QUESTIONS 59, 61, 62		3.77	3.74	3.78	4.24	4.10

For additional correlations with annual sales, see under the heading Leveraged Plans.

II. Annual Contributions to the Trust

Annual contributions to the trust were correlated with total annual maintenance costs. (A few very high and several very low figures were deleted from the sample of annual maintenance costs for the purpose of minimizing distortion.)

Total annual costs tend to level off as the contribution to the trust increases. Also, refer to Appendix C, Exhibit 4.

	<u>Annual Contributions (in thousands of dollars)</u>					
	<u>Less than 25</u>	<u>25- 50</u>	<u>50- 100</u>	<u>100- 500</u>	<u>500- 1,000</u>	<u>Over 1,000</u>
Average Annual Maintenance Cost (\$)	1,757	2,487	4,186	7,861	8,792	19,833

For additional correlations with annual contributions to the trust, see under the heading Leveraged Plans.

III. Length of Time Plan Has Been in Effect

The age of the plan (in years) was correlated with overall satisfaction with the plan. The results show a trend towards greater satisfaction among companies with plans in effect for five years or more, with an apparent dip for satisfaction among those with plans in effect from four to five years. The relative increase in satisfaction may be explained by increasing experience for the first few years, but for later years, may be explained by the fact that a number of plans of that age are conversions from other plans.

For each of the questions in the table below the responses were given on a scale of 1 to 5 (1=lowest rating; 5=highest rating). The figures in the table represent the mean (average) response for the ratings for each question.

		<u>Time Plan Has Been in Effect (in years)</u>					
		<u>0-1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>More than 5</u>
(59)	Is the plan living up to expectations?	3.92	3.70	3.75	3.86	3.79	4.15
(60)	How complicated do you consider your plan?	3.58	3.06	3.26	3.00	3.23	3.38
(61)	How important is the plan to the company?	3.73	3.82	3.89	3.83	3.57	4.15
(62)	Would you install one again?	4.20	4.06	4.14	4.15	4.07	4.38
AVERAGE RATING FOR QUESTIONS 59, 61, 62		3.95	3.86	3.93	3.95	3.81	4.23

Also, refer to Appendix C, Exhibit 3.

IV. Liquidity and Dilution Studies

Whether or not the company had done preliminary liquidity or dilution studies was correlated with satisfaction with administrative services, and with benefits/advantages and problems cited for the plan.

<u>Mean Response on a Scale of 1 to 5</u>		
<u>Satisfaction:</u>	<u>Initial</u>	<u>No Initial</u>
1=not satisfied	<u>Analysis</u>	<u>Analysis</u>
5=highly satisfied		
Stock appraisal	3.95	4.39
Valuation firm(s)	3.95	4.33
Administrative services	4.00	4.16
AVERAGE	3.97	4.29

The fact that those who did a preliminary analysis were less satisfied with administrative services may be explained by the motivational forces for doing the study and the more critical attitudes of those who were using the plan in an aggressive manner.

The following two tables provide mean responses for factors cited as benefits or problems, as related to whether or not preliminary liquidity or dilution studies had been done. The factors were rated on a scale of 0 (not a factor) to 2 (an important factor).

MEAN RESPONSE

	<u>Initial Analysis</u>	<u>No Initial Analysis</u>
<u>BENEFITS/ADVANTAGES OF THE PLAN</u>		
*Cash liquidity	1.15	.78
Market for closely held stock	1.65	.71
Divestiture/acquisition	.39	.21
Executive compensation	.75	.93
Takeover defense	.20	.36
Recapture of taxes	.43	.20
Improved industrial relations	.85	.91
Improved employee motivation	1.56	1.69
Liquidity for department employees	.95	.92
Stock issuance without registration costs	.27	.21
Debt financing	.52	.31
*Raising of capital	.85	.48
*Tax advantages	1.71	1.28
Estate planning	1.05	.94
Average:	<u>.86</u>	<u>.71</u>

PROBLEMS WITH THE PLAN

Administrative complexity	1.45	1.22
*Loss of confidentiality	.48	.18
*Dilution	.80	.33
*Stockholder objection to dilution	.49	.25
*Obtaining ESOT loans	.32	.11
Ongoing costs	.91	.79
Changing governmental regulations	1.40	1.46
Employee reaction	.92	.70
Communication with former employees	.44	.32
Average:	<u>.80</u>	<u>.60</u>

In all except for one case (loss of confidentiality), those items marked as being either a statistically significant benefit or problem (see asterisks) are those specifically related to liquidity or dilution. Since the benefits and problems were being correlated to whether or not a dilution/liquidity analysis had been previously performed, this statistical correlation is not unexpected.

A correlation between plan installation costs and preliminary liquidity/dilution studies showed very little difference in initial costs:

	<u>Initial Analysis</u>	<u>No Initial Analysis</u>
Average Installation Cost	\$11,983	\$11,412

For additional findings concerned with liquidity/dilution studies see under the heading Leveraged Plans.

V. Leveraged Plans

No correlation was found between leveraged plans and the performance of liquidity/dilution studies or converted plans. However, the following percentages of companies falling into the categories in the table below are of interest:

PER CENT OF COMPANIES	LEVERAGED PLAN	PLAN NOT LEVERAGED	
Liquidity/dilution study done	9.9%	37.0%	=100%
Liquidity/dilution study <u>NOT</u> done	6.2%	46.9%	
Plan is a conversion	4.9%	24.5%	=100%
Plan is <u>NOT</u> a conversion	11.7%	58.9%	

Comparison of Annual Sales with Leveraged and non-Leveraged Plans

	<u>Per Cent of Companies</u>	
<u>Sales</u>	<u>LEVERAGED PLAN</u>	<u>PLAN NOT LEVERAGED</u>
0 - \$1,000,000	8.0%	6.9%
1,000,001 - 5,000,000	24.0	29.8
5,000,000 - 10,000,000	4.0	23.7
10,000,000 - 30,000,000	36.0	27.4
Over 30,000,000	28.0	12.2
	<u>100.0%</u>	<u>100.0%</u>

Comparison of Annual Contributions to the Trust with
Leveraged and non-Leveraged Plans

<u>Annual Contributions to the Trust</u>	<u>Per Cent of Companies</u>	
	<u>LEVERAGED PLAN</u>	<u>PLAN NOT LEVERAGED</u>
\$25,000 or less	8.3%	20.6%
\$25,001 - 50,000	12.5%	19.5%
\$50,001 - 100,000	8.3%	23.4%
\$100,001 - 500,000	50.0%	26.6%
\$500,001 - 1,000,000	16.7%	4.7%
Over \$1,000,000	4.2%	5.5%

Total Annual Maintenance Costs Compared with Leveraged
and non-Leveraged Plans

	<u>LEVERAGED PLAN</u>	<u>PLAN NOT LEVERAGED</u>
Average Annual Maintenance Cost for the Plan	\$6,878	\$5,560

The following two tables provide mean responses for factors cited as benefits or problems, as related to whether or not the plan is leveraged. The factors were rated on a scale of 0 (not a factor) to 2 (an important factor).

	<u>MEAN RESPONSE</u>	
	<u>Leveraged Plan</u>	<u>Plan Not Leveraged</u>
<u>BENEFITS/ADVANTAGES OF THE PLAN</u>		
Cash liquidity	1.22	.91
Market for closely held stock	1.15	.96
Divestiture/Acquisition	.26	.28
Executive compensation	.59	.83
Defense against takeover	.44	.23
Recapture of taxes	.33	.29
Improved industrial relations	1.00	.85
Improved employee motivation	1.59	1.60
Liquidity for departing employees	.77	.95
Issuance of stock without registration	.22	.23
*Debt financing	1.07	.30
*Raising of capital	1.30	.51
Tax advantages	1.41	1.45
Estate planning	<u>.85</u>	<u>.99</u>
AVERAGE	.87	.74
 <u>AVERAGE EXCLUDING debt financing and raising of capital.....</u>		
	.82	.80
 <u>PROBLEMS WITH THE PLAN</u>		
Administrative complexity	1.19	1.18
Loss of confidentiality	.41	.30
Dilution	.48	.55
Stockholder objection to dilution	.30	.37
*Obtaining ESOT loans	.56	.15
Changing governmental regulations	1.37	1.42
Employee reaction	.89	.78
Communication with former employees	<u>.44</u>	<u>.36</u>
AVERAGE	.71	.66

The following two tables provide mean responses for perceived employee reaction and overall satisfaction with the plan for leveraged and non-leveraged plans. The responses were ranked on a scale of 1 to 5 (1=lowest rating; 5=highest rating).

	<u>MEAN RESPONSE</u>	
	<u>Leveraged Plan</u>	<u>Plan Not Leveraged</u>
<u>PERCEIVED EMPLOYEE RESPONSE</u>		
Employee opinion at time of plan installation	3.85	3.83
Current employee opinion of the plan	3.80	3.81
Current employee understanding of the plan	2.56	2.95
Plan's ability to compete with other benefit plans	<u>2.74</u>	<u>3.38</u>
AVERAGE	3.26	3.49
<u>OVERALL EVALUATION OF THE PLAN</u>		
*Is the plan living up to expectations?	4.11	3.71
How complicated do you consider your plan?	2.96	3.30
How important is the plan to the company?	3.88	3.79
*Would you install one again?	<u>4.58</u>	<u>4.02</u>
AVERAGE	3.88	3.70

For additional correlations with leveraging see under the headings Conversion and Auditing.

VI. Conversion

Correlations were done between converted plans and liquidity/dilution studies, use of an independent accountant, and existence of a formal accounting manual.

No apparent correlation was found between converted plans and the performance of liquidity/dilution studies. Of all plans surveyed which were non-conversions, 42% did an initial analysis; for those plans which were conversions, 54% had an analysis performed.

There appeared to be a strong relationship between converted plans and the existence of a formal accounting manual: 83% of all converted plans had a manual, while 59% of non-converted plans have a manual. Conversely, of all plans which have a manual, 38% are conversions, while of all plans not having a manual, 15% are conversions. These results, however, do not take into account the fact that an accounting manual may be used and maintained by an outside plan keeper.

PER CENT OF COMPANIES	CONVERTED PLAN	PLAN NOT CONVERTED	
Liquidity/dilution study done	16.8%	28.9%	=100%
Liquidity/dilution study <u>NOT</u> done	14.4%	39.9%	
Independent accountant used	16.6%	46.6%	=100%
Independent accountant <u>NOT</u> used	13.5%	23.3%	
Formal accounting manual	24.7%	29.1%	=100%
<u>NO</u> formal accounting manual	5.1%	41.1%	

Satisfaction with stock appraisal and valuation firms was slightly less for firms with converted plans than for firms whose plans were not conversions. Satisfaction with administrative services was only slightly higher for converted plans than for non-converted plans.

<u>Satisfaction:</u> 1=not satisfied; 5=highly satisfied	<u>Mean Response on a Scale of 1 to 5</u>	
	<u>CONVERTED PLAN</u>	<u>PLAN NOT CONVERTED</u>
Stock appraisal	3.96	4.26
Valuation firm(s)	4.12	4.18
Administrative services	<u>4.14</u>	<u>4.06</u>
AVERAGE	4.07	4.17

There were some noticeable differences concerning who provides legal services for converted plans versus plans which are not conversions:

<u>PROVIDER</u>	<u>CONVERTED PLAN</u>	<u>PLAN NOT CONVERTED</u>
Corporate legal department	6.1%	14.7%
Outside corporate counsel	61.2%	65.5%
Independent attorney	32.7%	13.8%
Other	0	6.0%

Installation costs for converted plans were approximately 35% higher for ESOPS which were converted; annual maintenance costs were about 30% higher for converted plans:

	<u>CONVERTED PLAN</u>	<u>PLAN NOT CONVERTED</u>
Total installation cost	\$14,243	\$10,515
Total annual maintenance cost	\$ 6,389	\$ 4,915

In most cases, firms with converted plans rated plan benefits and problems with the plan higher than did firms whose plans were not conversions. The following tables provide mean responses for factors cited and benefits or problems, as related to conversion. The factors were rated on a scale of 0 (not a factor) to 2 (an important factor).

	MEAN RESPONSE	
	CONVERTED PLAN	PLAN NOT CONVERTED
<u>BENEFITS/ADVANTAGES OF THE PLAN</u>		
*Cash liquidity	1.13	.76
*Market for closely held stock	1.19	.78
*Divestiture/acquisition	.54	.18
Executive compensation	.85	.72
Takeover defense	.30	.21
Recapture of taxes	.43	.20
Improved industrial relations	.80	.82
Improved employee motivation	1.48	1.51
*Liquidity for departing employees	1.04	.75
Stock issuance without registration costs	.27	.16
Debt financing	.41	.39
Raising of capital	.61	.59
Tax advantages	1.46	1.31
*Estate planning	1.13	.81
Average:	<u>.83</u>	<u>.66</u>
<u>PROBLEMS WITH THE PLAN</u>		
*Administrative complexity	1.67	1.01
*Loss of confidentiality	.48	.20
*Dilution	.67	.42
*Stockholder objection to dilution	.48	.27
Obtaining ESOT loans	.19	.21
*Ongoing costs	.96	.68
*Changing governmental regulations	1.46	1.24
Employee reaction	.78	.72
Communication with former employees	.43	.31
Average:	<u>.79</u>	<u>.56</u>

Perceived employee response rated slightly higher for firms with converted plans, as did overall satisfaction with the plan. The importance of the plan to the company and the plan's ability to compete with other benefit plans ranked significantly higher for converted plans than for plans which were not converted.

The following two tables provide mean responses for perceived employee reaction and overall satisfaction with the plan for converted and non-converted plans. The responses were ranked on a scale of 1 to 5 (1=lowest rating; 5=highest rating).

<u>PERCEIVED EMPLOYEE RESPONSE</u>	<u>MEAN RESPONSE</u>	
	<u>CONVERTED PLAN</u>	<u>PLAN NOT CONVERTED</u>
Employee opinion of the plan at installation	3.80	3.85
Current employee opinion of the plan	3.68	3.88
Current employee understanding of the plan	2.92	2.85
Plan's ability to compete with other benefit plans	3.60	3.21
Average:	<u>3.50</u>	<u>3.45</u>
<u>OVERALL SATISFACTION WITH THE PLAN</u>		
Is the plan living up to expectations?	3.90	3.70
How complicated do you consider your plan?	3.22	3.26
*How important is the plan to the company?	4.08	3.73
Would you install one again?	4.12	4.08
Average (59, 61, 62):	<u>4.03</u>	<u>3.84</u>

APPENDIX C

GRAPHS

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1. Annual Maintenance Costs Versus Annual Sales	C-2
2. Overall Evaluation Versus Annual Sales	C-3
3. Overall Evaluation Versus Start-up Time	C-4
4. Annual Maintenance Costs Versus Annual Contributions	C-5
Number of Principal Stockholders	C-6
Annual Sales	C-6
Number of Employees	C-7
Design and Installation Costs	C-8 to C-12
Maintenance Costs	C-13 to C-18

ANNUAL MAINTENANCE COSTS

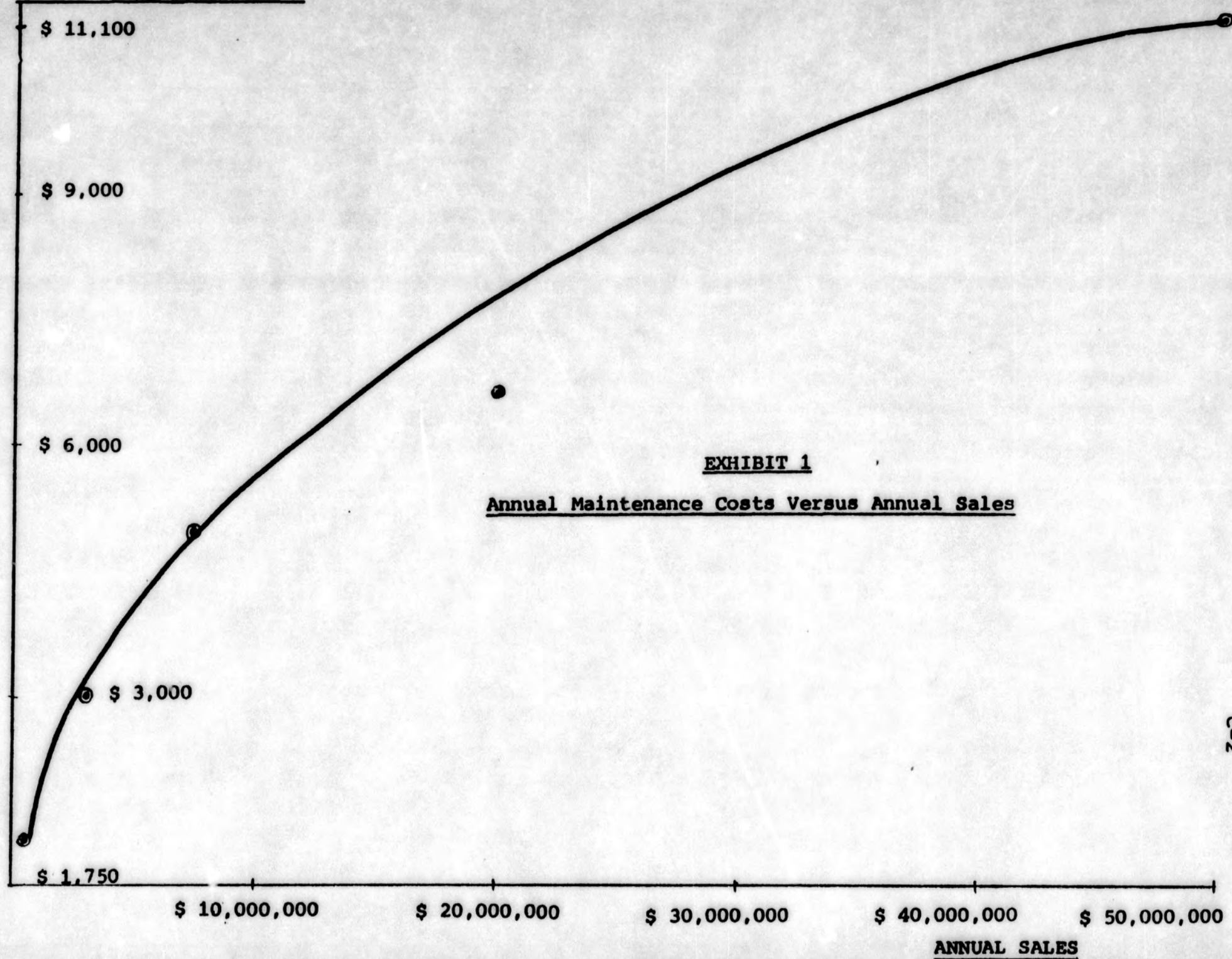


EXHIBIT 1

Annual Maintenance Costs Versus Annual Sales

SATISFACTION

(Rated on a
Scale of
1 to 5)

EXHIBIT 2

Overall Evaluation Versus Annual Sales

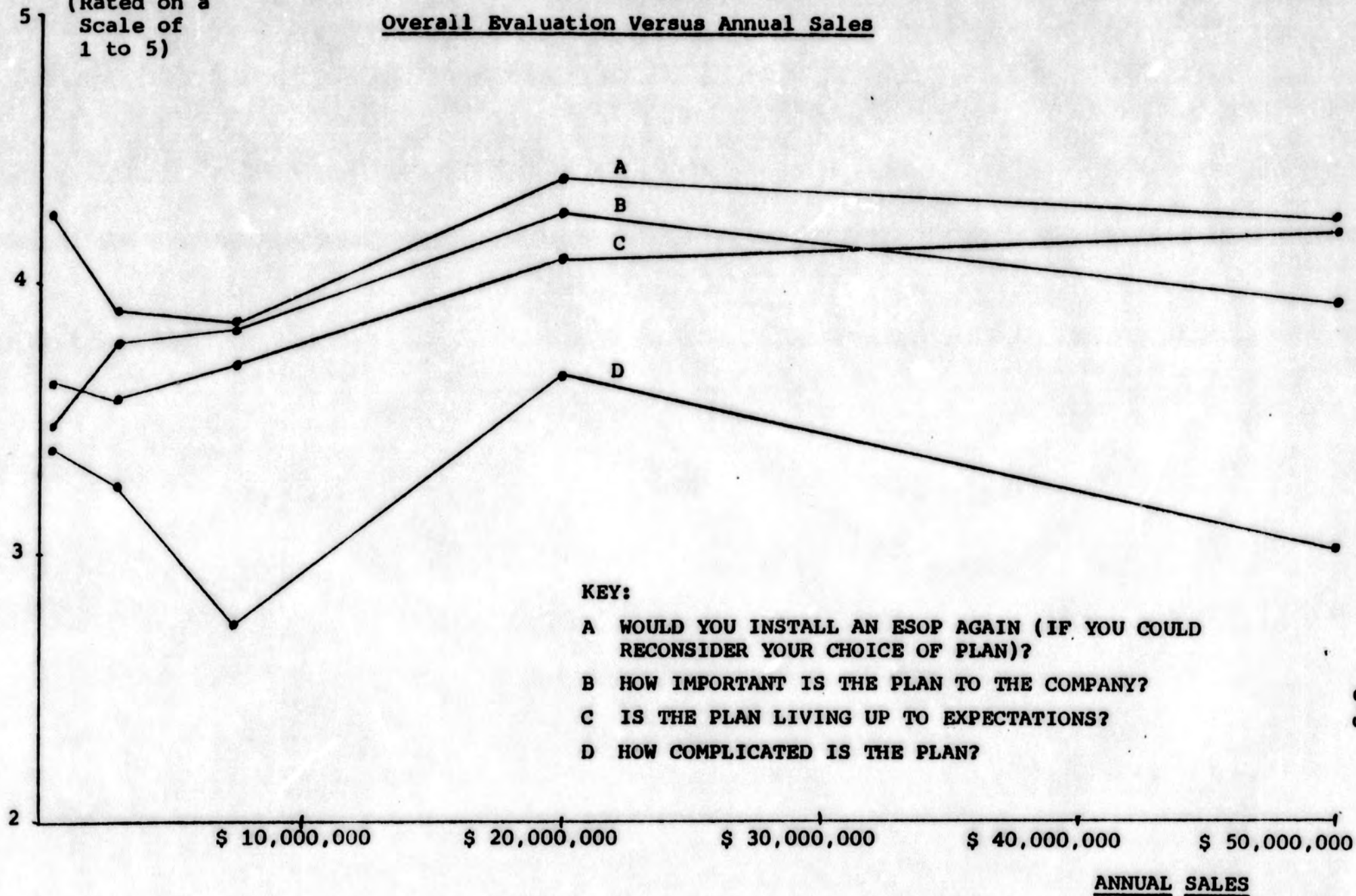


EXHIBIT 3

SATISFACTION

(Rated on a
Scale of
1 to 5)

Overall Evaluation Versus Start-up Time

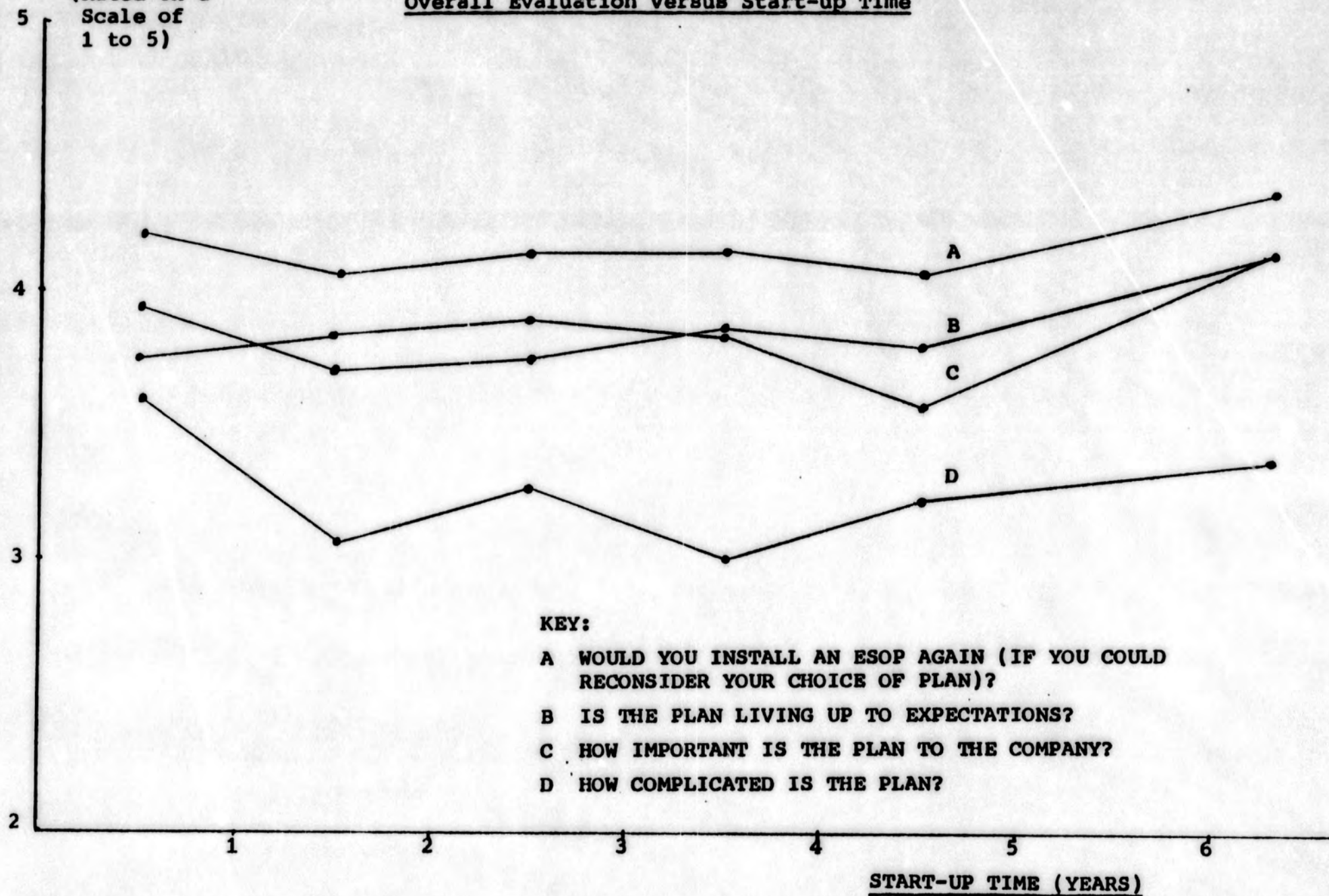
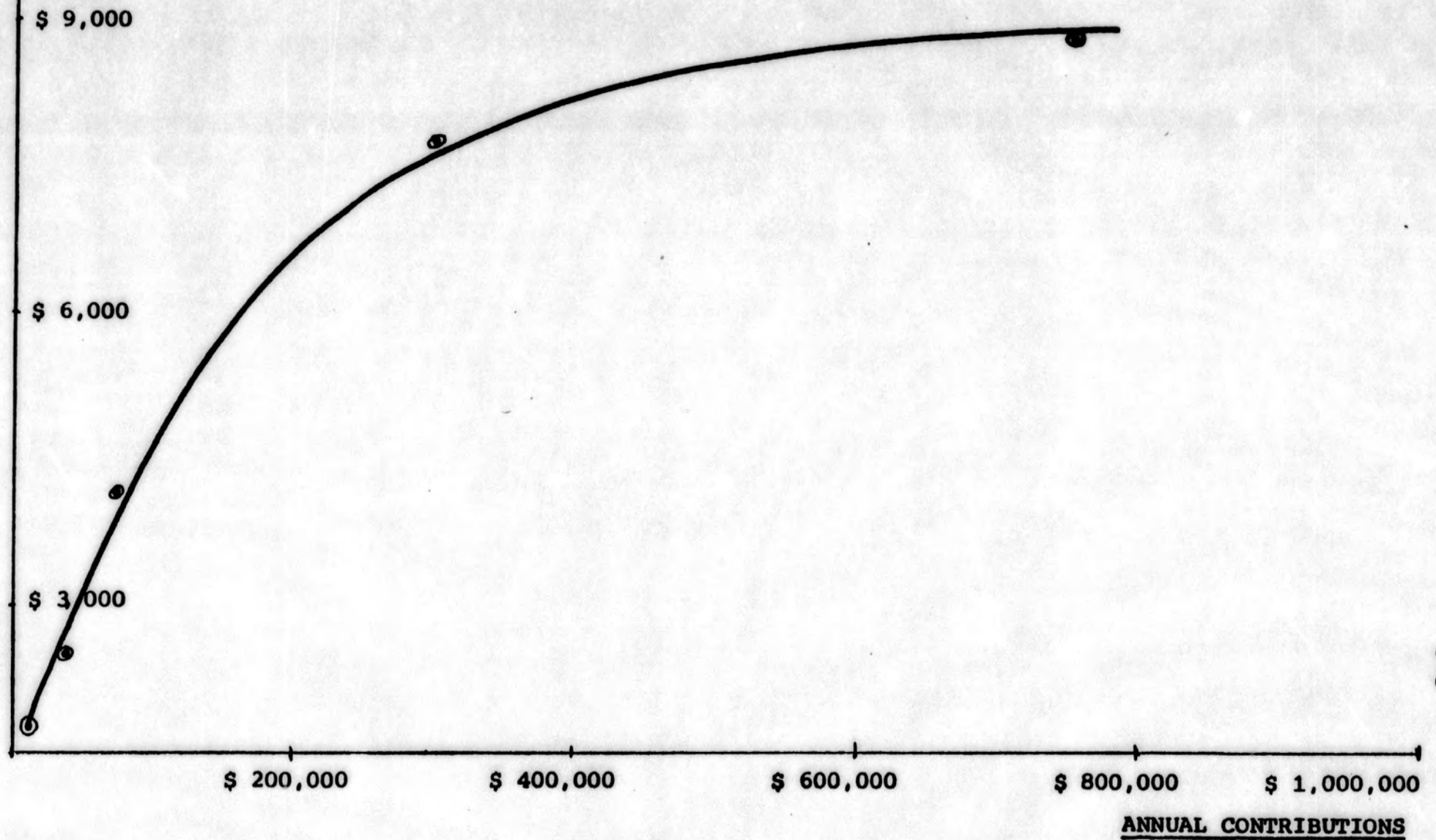


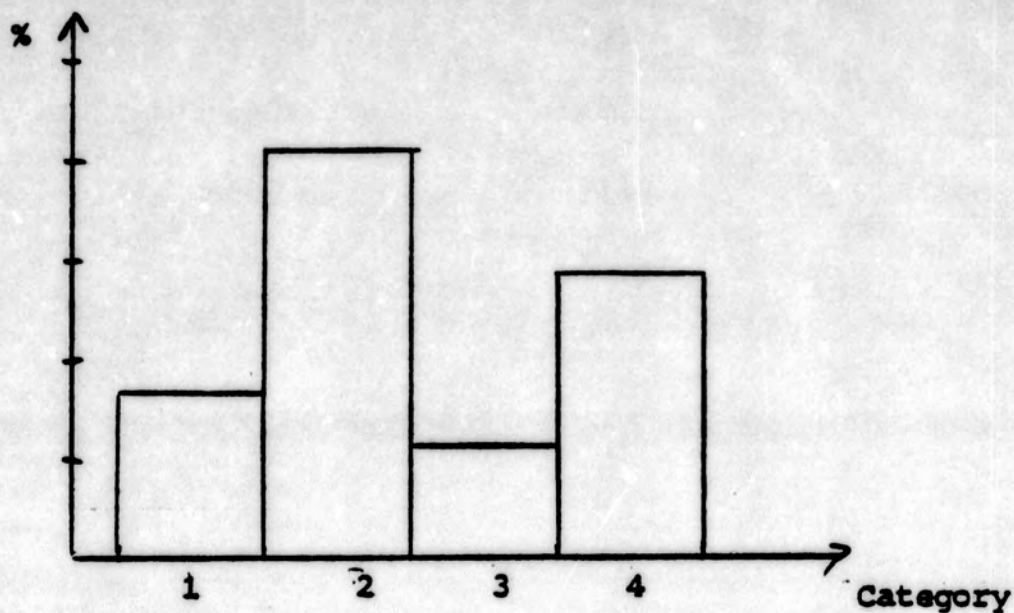
EXHIBIT 4

Annual Maintenance Costs Versus Annual Contributions

ANNUAL
MAINTENANCE
COSTS



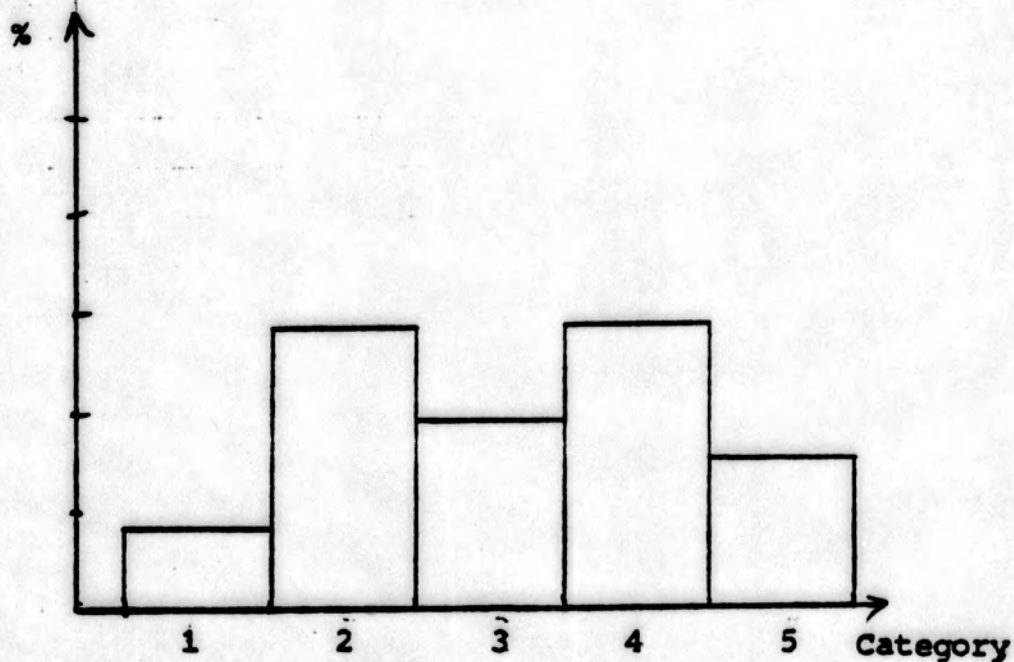
Number of Principal Stockholders



Categories:

1.	1	17.4%
2.	2-5	41.6
3.	6-10	12.1
4.	11 or more	28.9

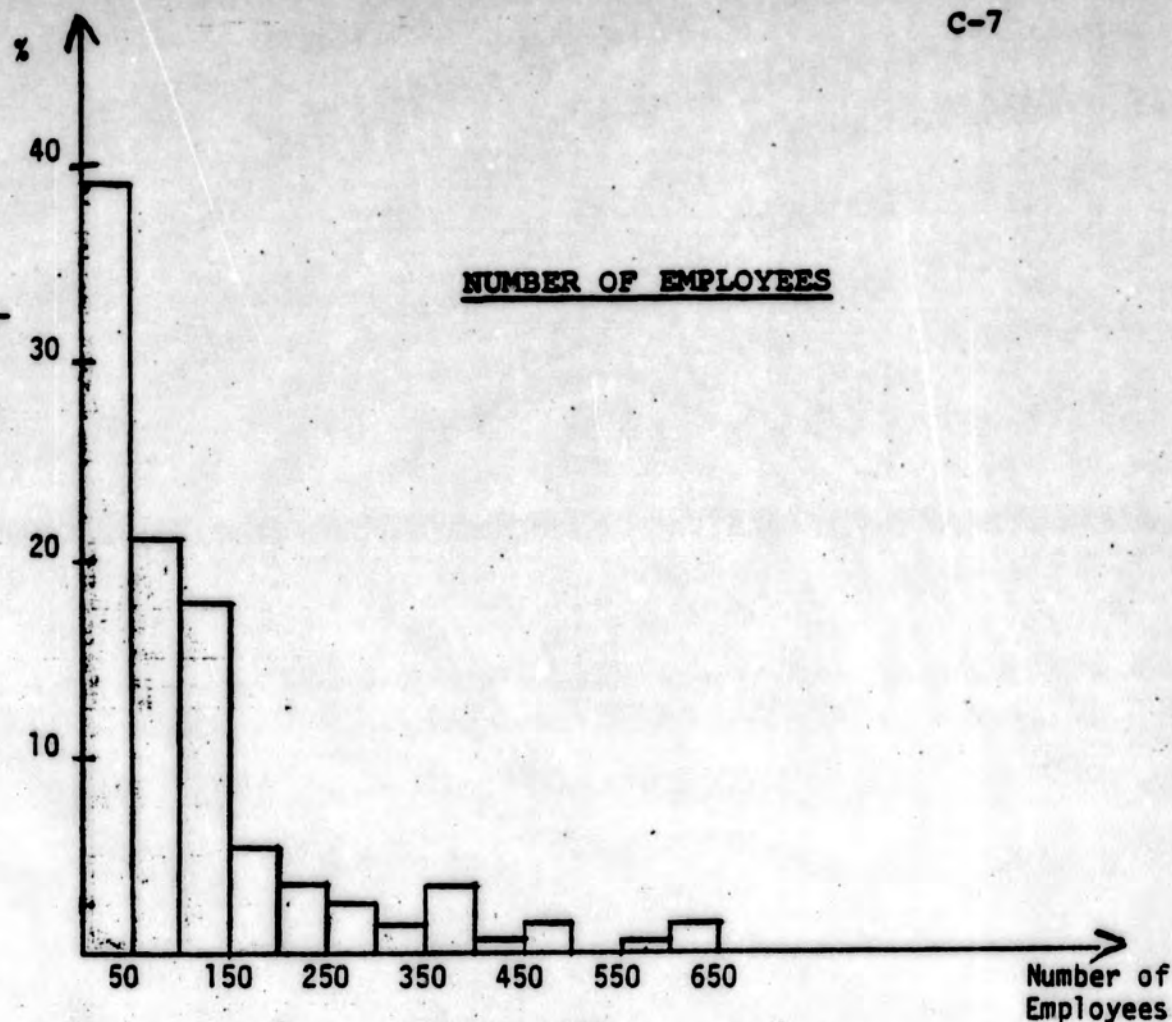
Annual Sales



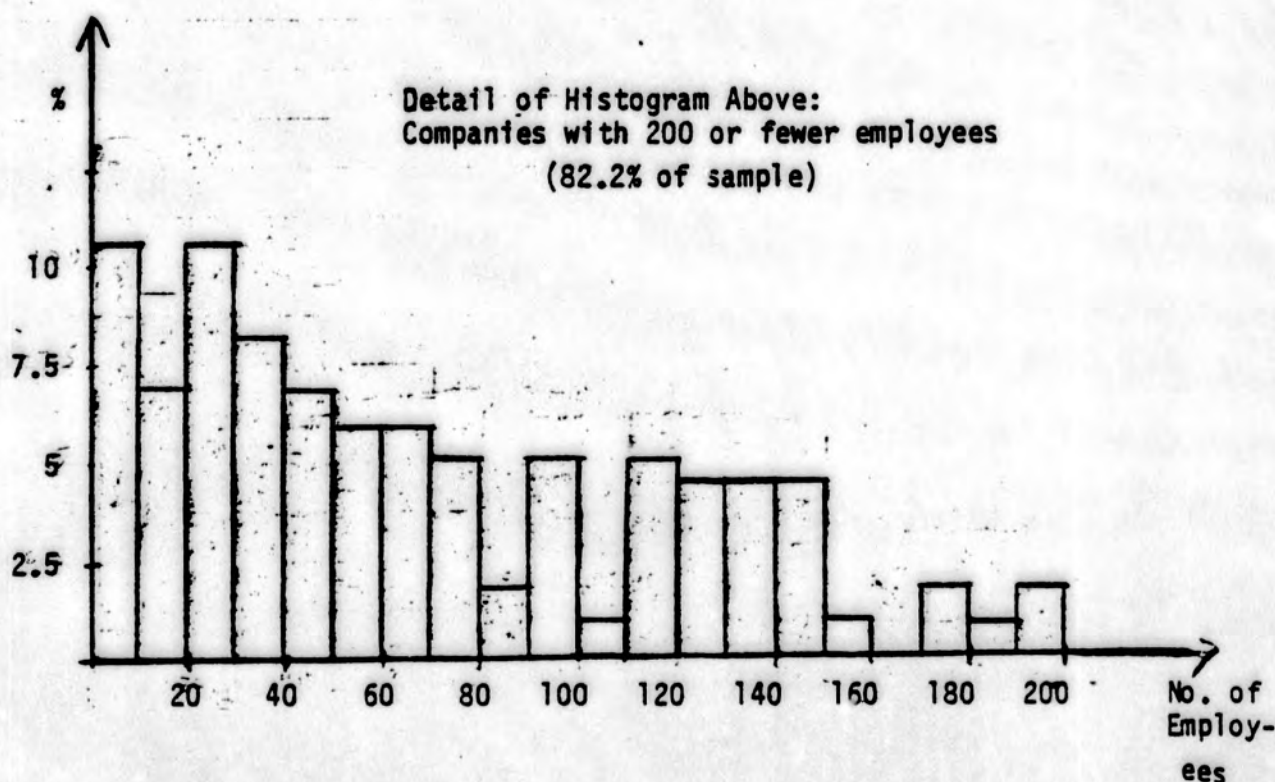
Categories:

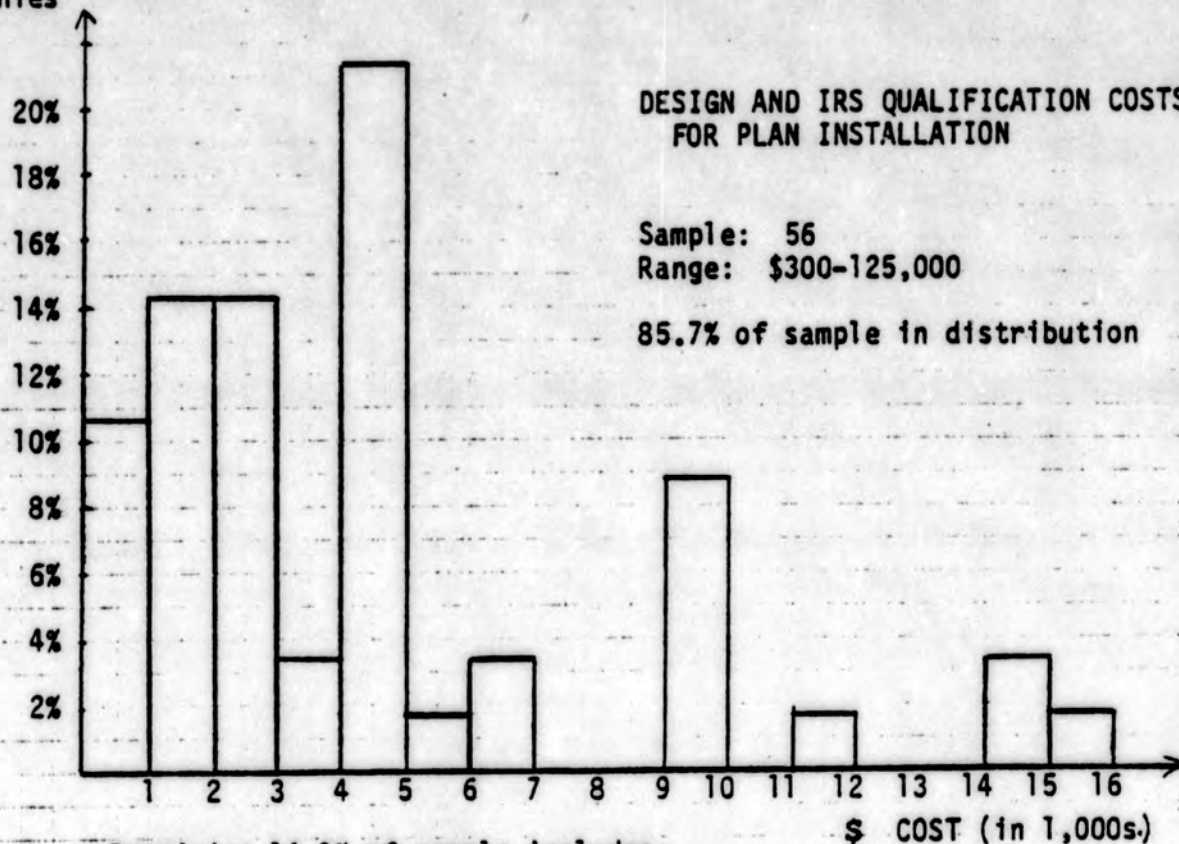
1.	0 - \$1,000,000	8.3%
2.	\$1,000,001 - \$5,000,000	28.4
3.	\$5,000,001 - \$10,000,000	19.5
4.	\$10,000,001 - \$30,000,000	28.4
5.	Over \$30,000,000	15.4

Very large companies and those where number of employees vs number of ESOP participants appeared different have been removed to provide a more accurate picture of plan participants.

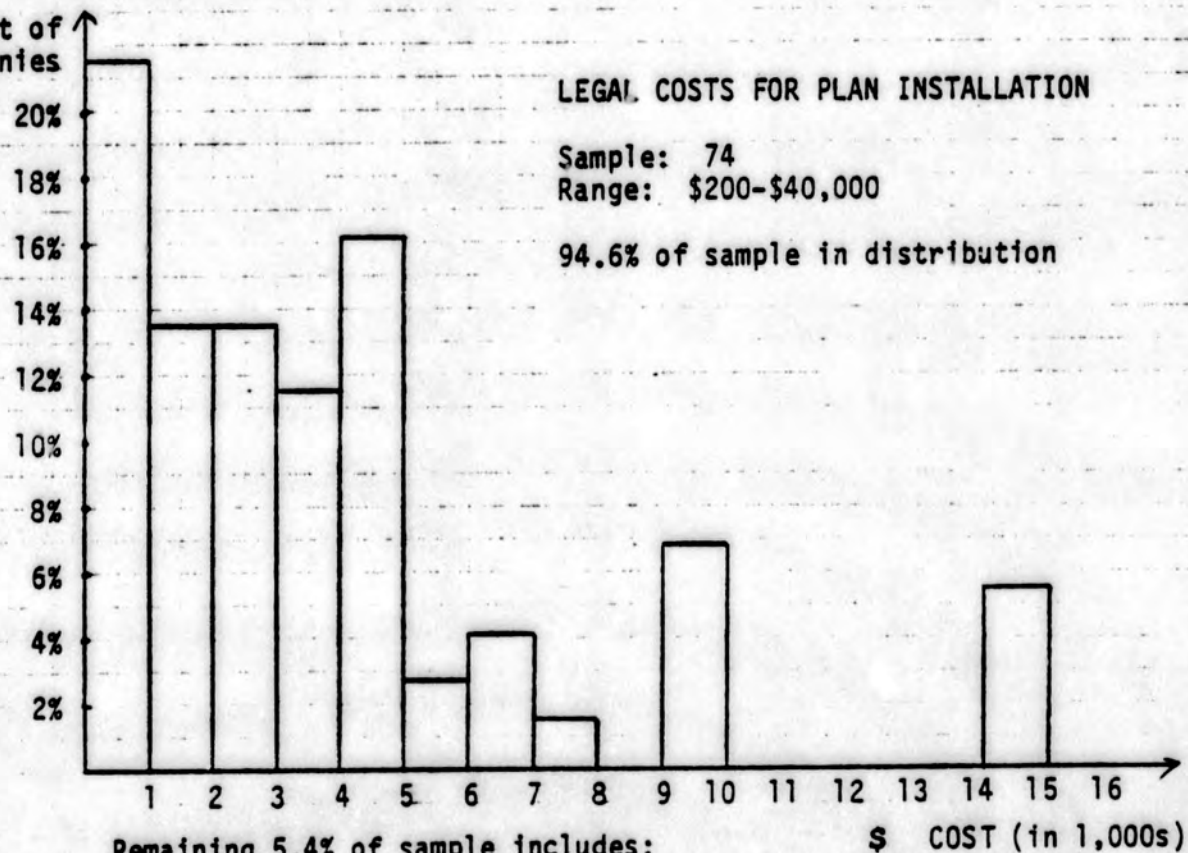


Sample: 157
 Distribution of 96.7% of companies
 Remaining 3.3% (5 companies) have the
 following number of employees:
 850, 1000, 1200, 1200, 1900



Percent of
Companies

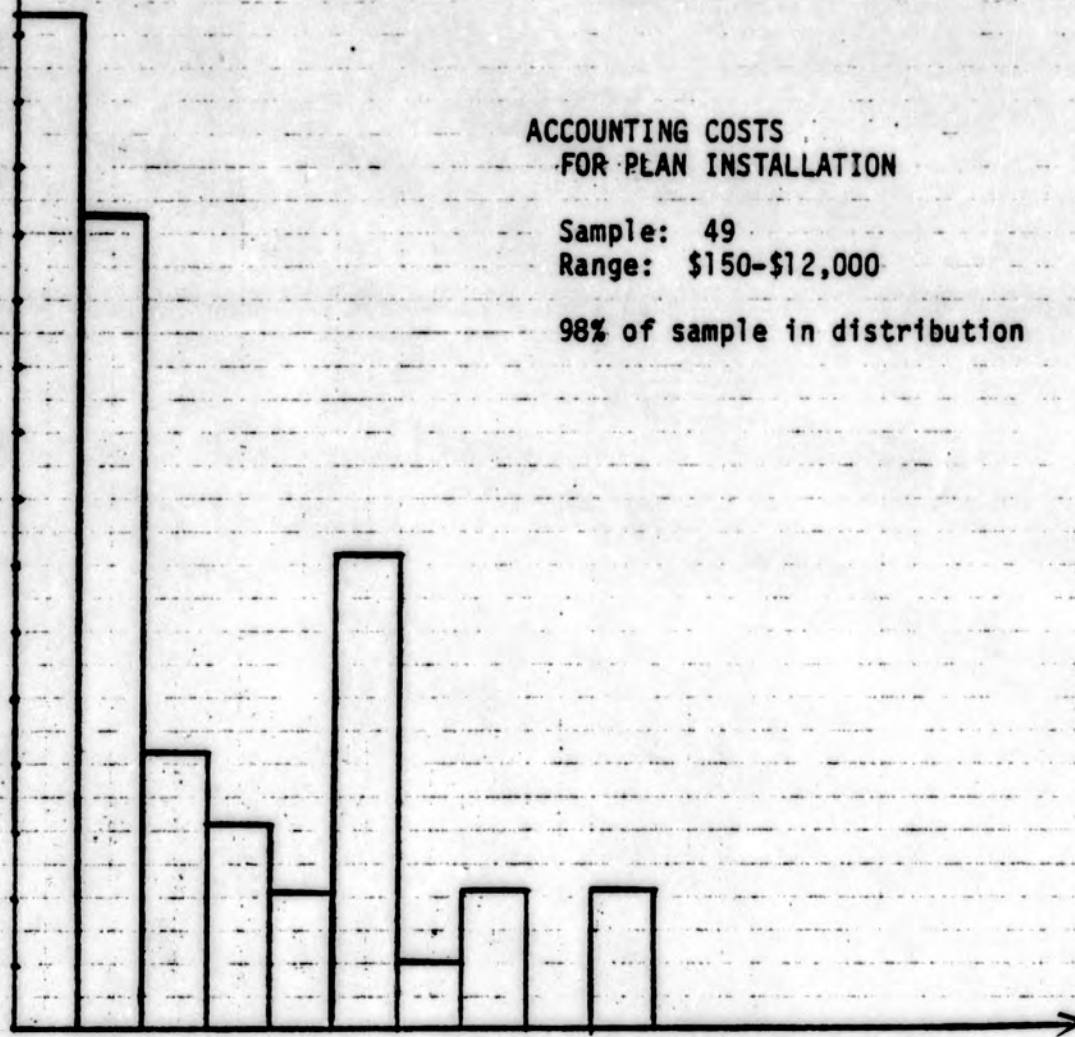
Remaining 14.3% of sample includes:
\$20,000 (2), \$25,000 (2), \$30,000 (2)
\$70,000, \$125,000

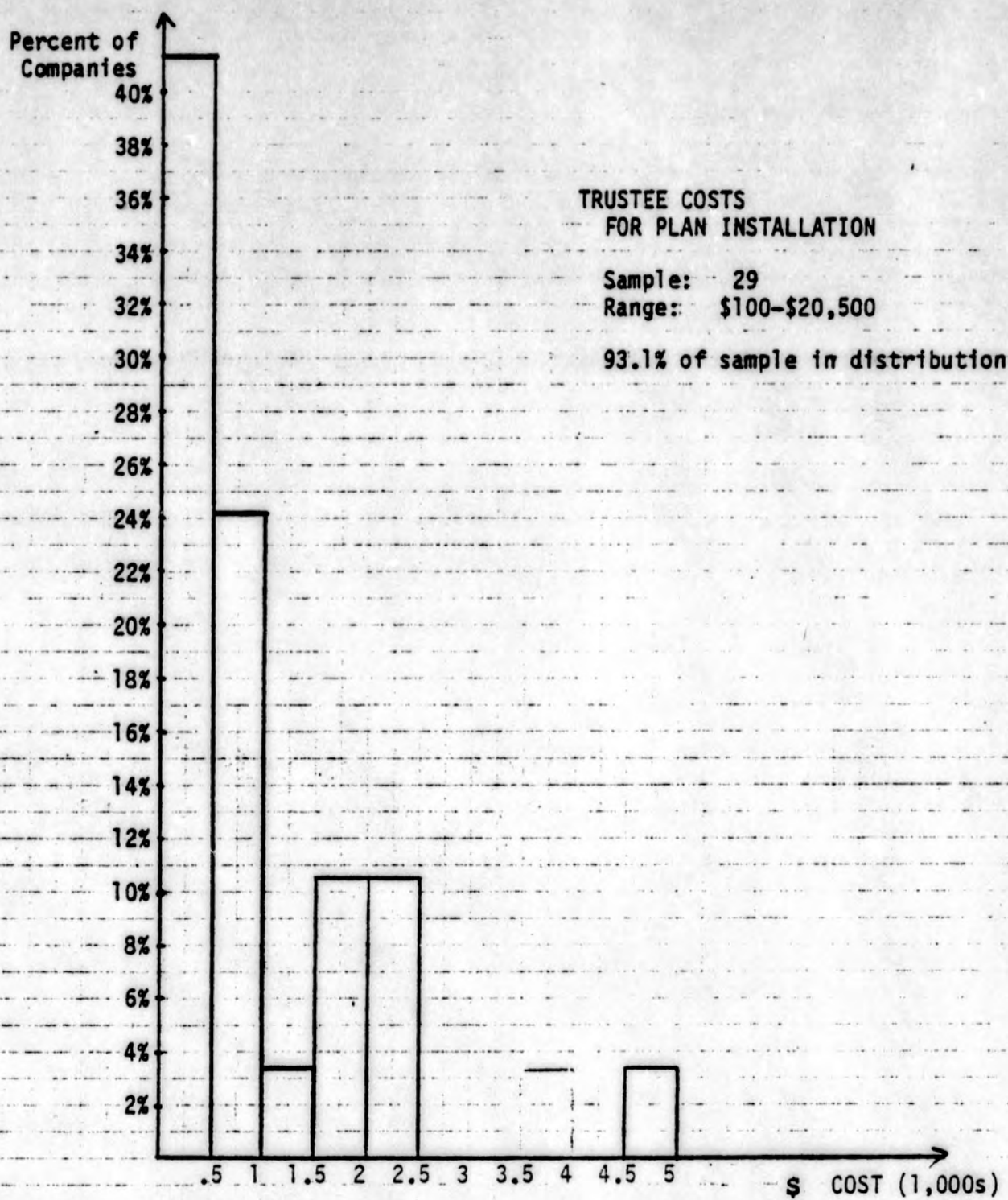
Percent of
Companies

Remaining 5.4% of sample includes:
\$18,000, \$20,000, \$35,000, \$40,000

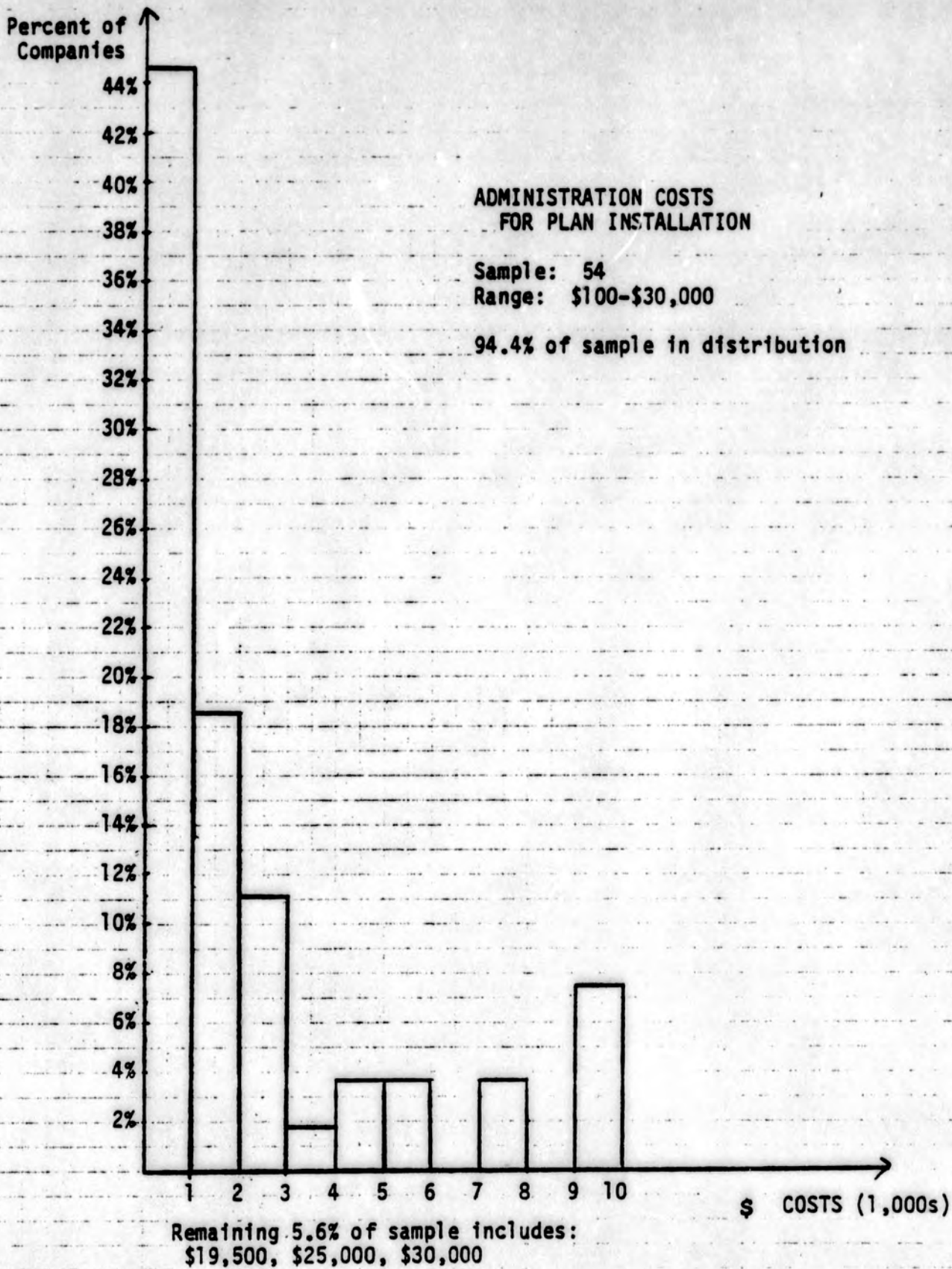
Percent of
Companies30%
28%
26%
24%
22%
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%ACCOUNTING COSTS
FOR PLAN INSTALLATIONSample: 49
Range: \$150-\$12,000

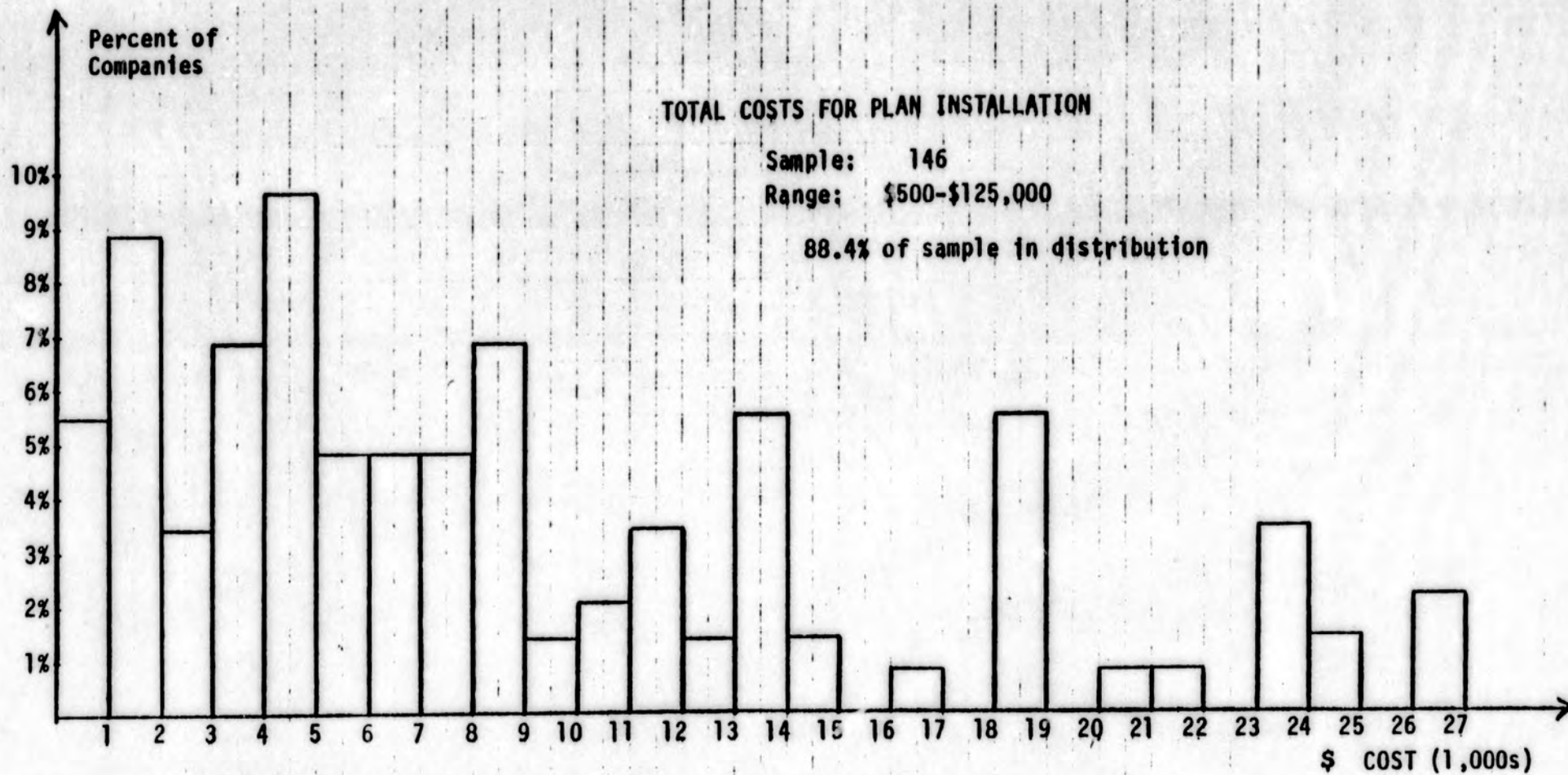
98% of sample in distribution

.5 1 1.5 2 2.5 3 3.5 4 4.5 5 5.5 6 6.5 7
\$ COST (1,000s)Remaining 2% of sample includes:
\$12,000



Remaining 6.9% of sample includes:
\$12,000, \$20,500





Remaining 11.6% of sample includes:

\$30,000, \$32,000, \$33,500, \$34,500, \$35,000, \$36,000, \$38,175, \$40,000
\$42,000, \$43,500, \$45,000, \$50,000, \$52,000, \$80,000, \$100,000, \$107,500, \$125,000

Percent of
Companies

40%

38%

36%

34%

32%

30%

28%

26%

24%

22%

20%

18%

16%

14%

12%

10%

8%

6%

4%

2%

ANNUAL AUDITING EXPENSE
FOR THE PLAN

Sample: 71

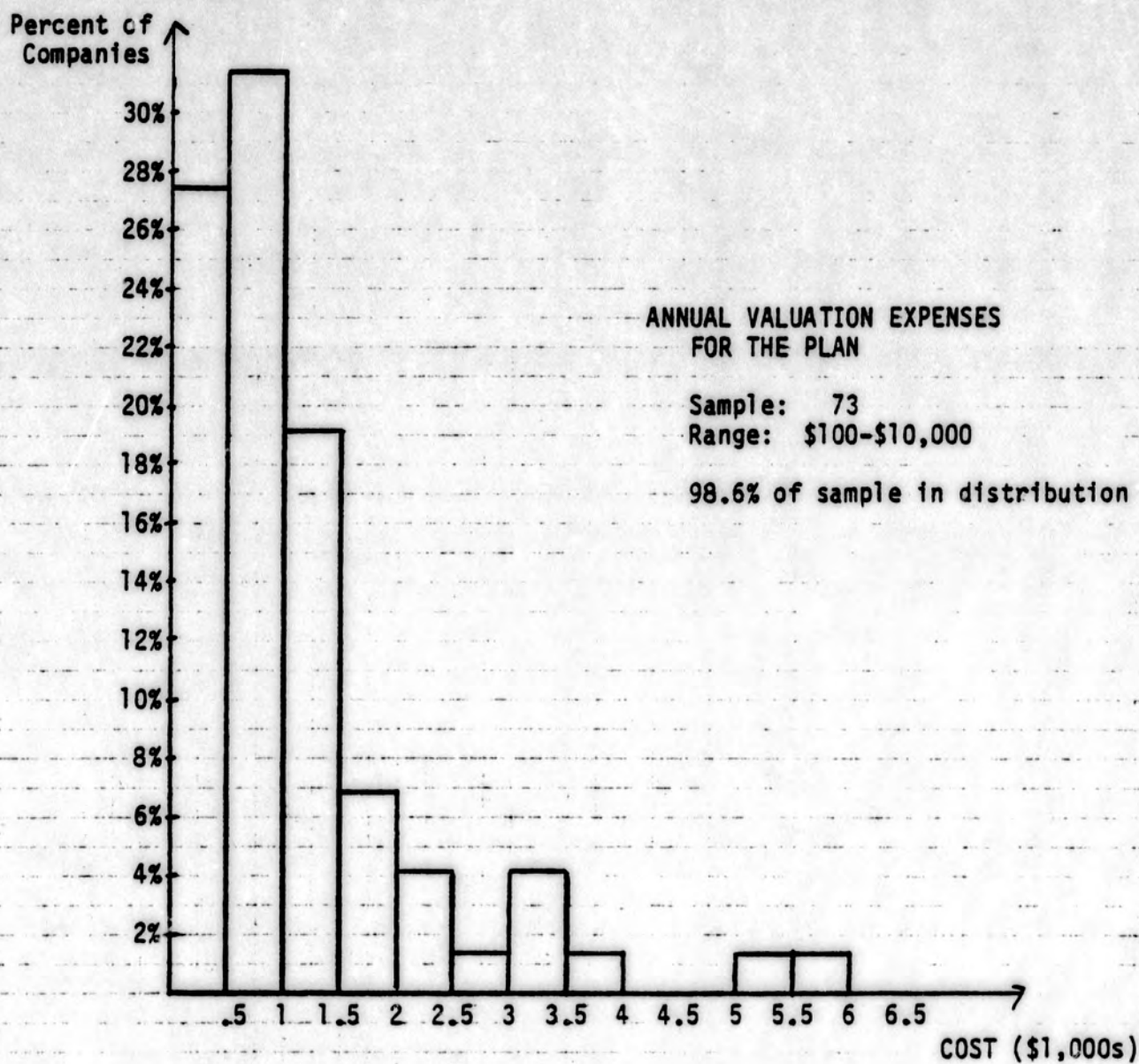
Range: \$100-\$20,000

98.6% of sample in distribution

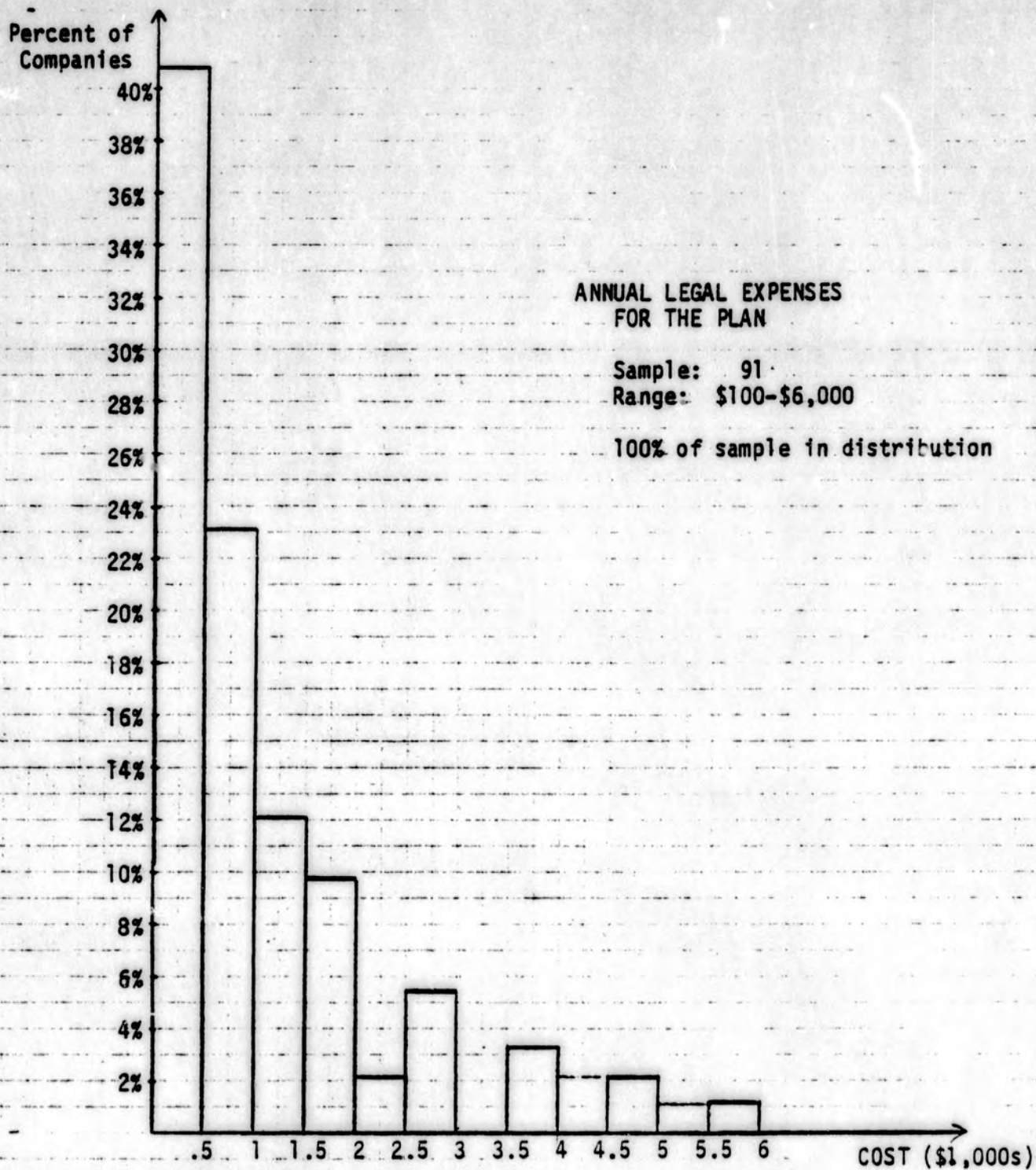
\$ COST (1,000s)	Percent of Companies
0.5 - 1.0	38%
1.0 - 1.5	20%
1.5 - 2.0	15%
2.0 - 2.5	14%
2.5 - 3.0	1%
3.0 - 3.5	4%
3.5 - 4.0	1%
4.0 - 4.5	0%
4.5 - 5.0	0%
5.0 - 5.5	0%
5.5 - 6.0	1%
6.0 - 6.5	0%
6.5 - 7.0	1%
7.0 - 7.5	0%

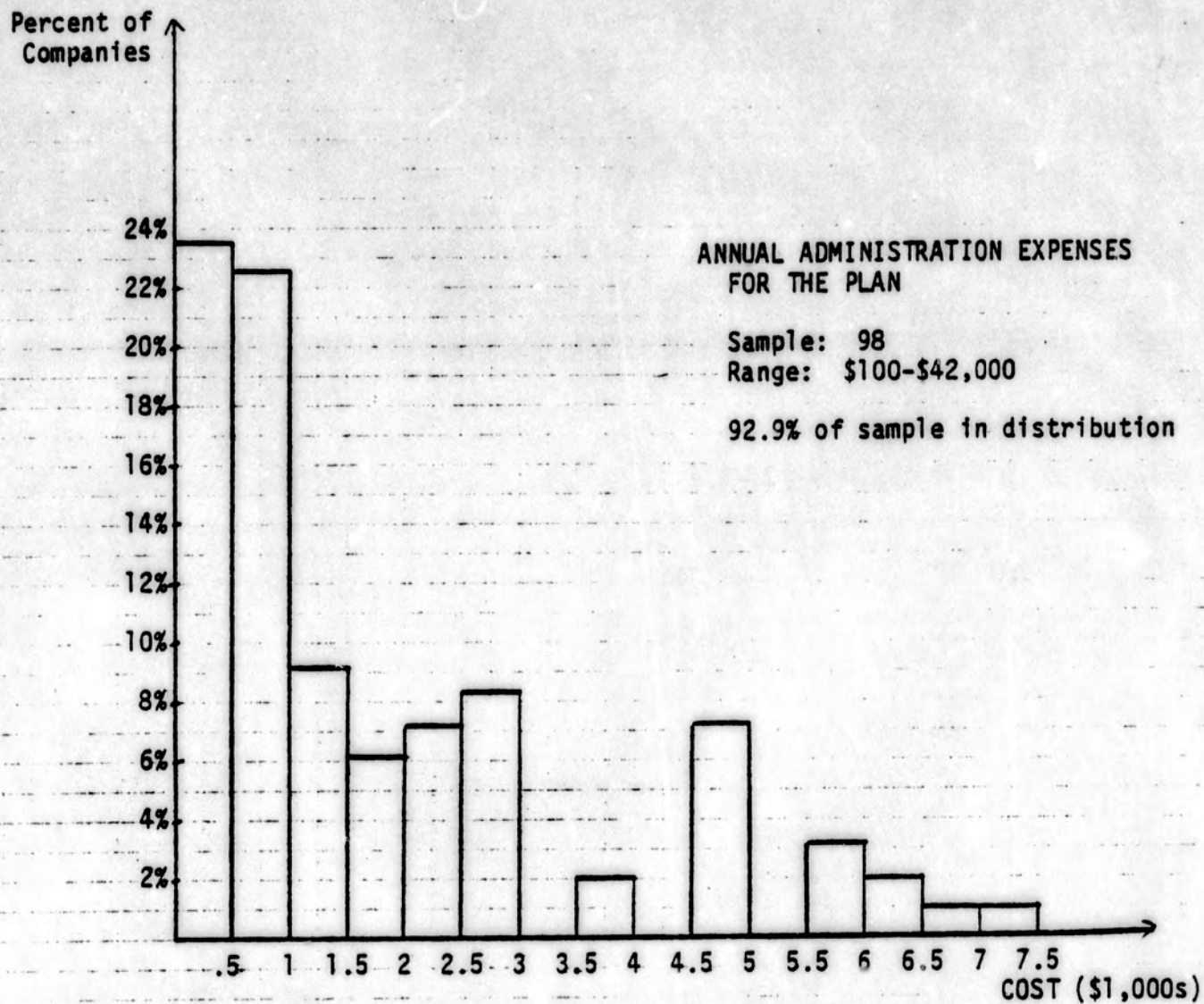
Remaining 1.4% of sample includes:
\$20,000

\$ COST (1,000s)

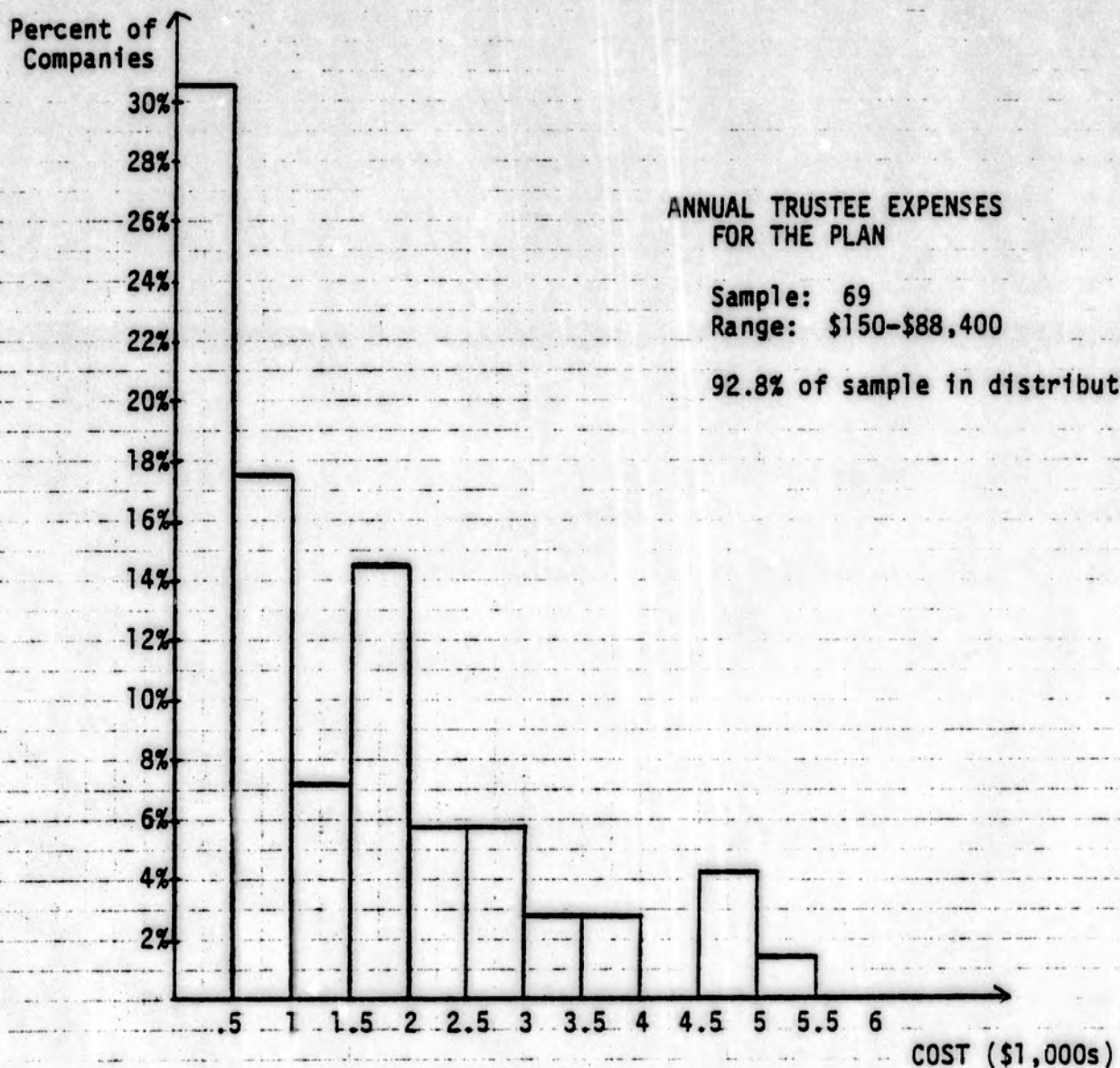


Remaining 1.4% includes: \$10,000

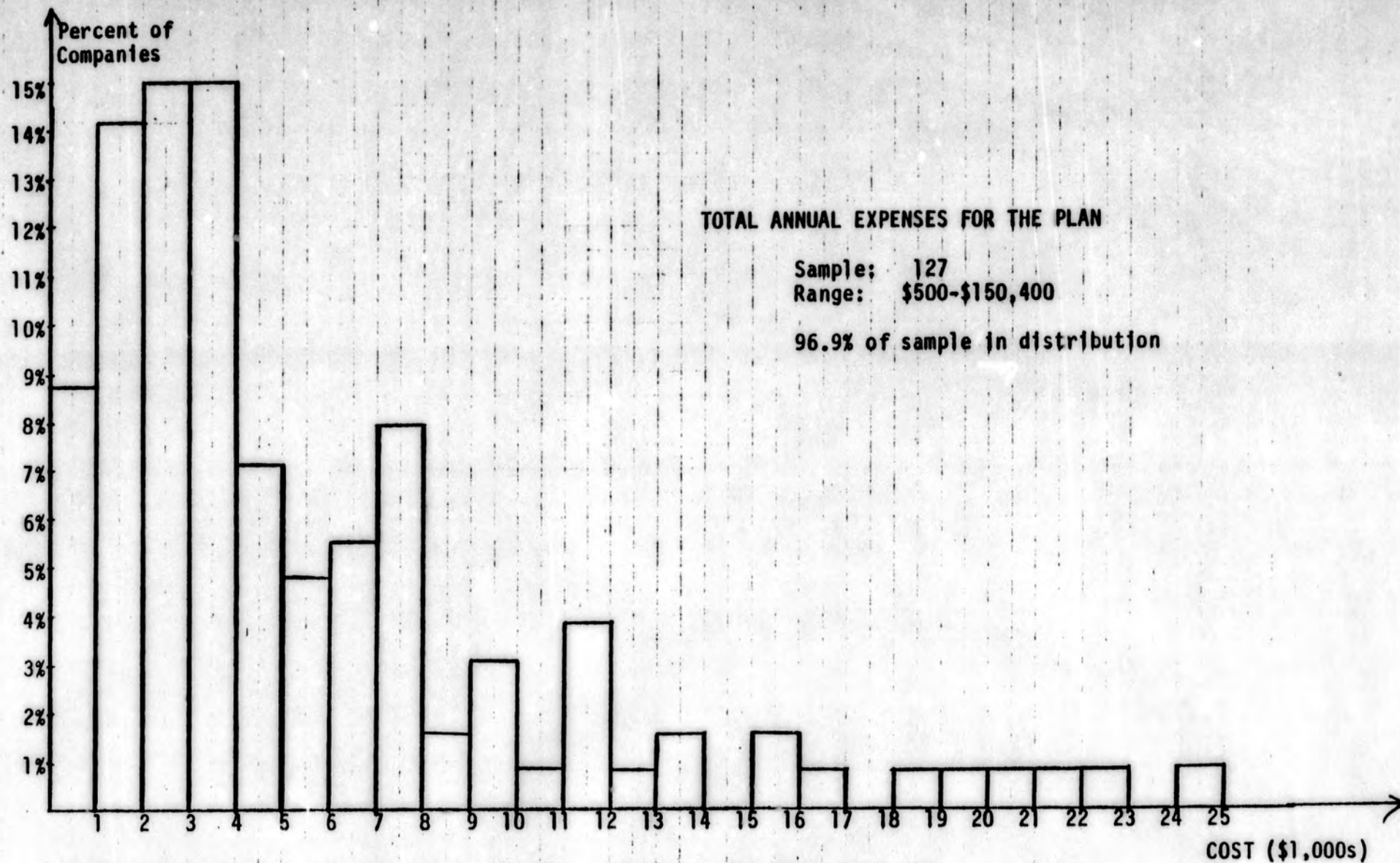




Remaining 7.1% of sample includes:
\$10,000 (2), \$14,000 (2), \$18,000, \$25,000,
\$42,000



Remaining 7.2% of sample includes:
\$10,000, \$11,000, \$11,500, \$13,000, \$88,400



Remaining 3.1% of sample includes: \$27,000, \$31,700, \$42,000, \$150,400

APPENDIX D

GLOSSARY OF STATISTICAL TERMS

GLOSSARY OF STATISTICAL TERMS

CORRELATION

A measure of the degree of relationship between two variables.

CORRELATION COEFFICIENT

A value from -1 to +1 which indicates the closeness of a relationship between two variables; the greater the degree of relationship, the closer the value will be to -1 (negative correlation) or +1 (positive correlation).

MEAN

The arithmetic average of a sample of numbers.

MEDIAN

The value of the number lying at the midpoint of a sample distribution.

MODE

The particular value in a sample of numbers which is most frequently observed.

STANDARD DEVIATION

The square root of the variance. It measures the variability of a distribution, or the degree of spread from the mean.

VARIANCE

The sum of the squares of the differences between the individual observations and the mean of a distribution. It measures the spread of a series of observations, or their tendency to depart from the mean.

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