

**Appendix I:**

**\* Seminar Materials and  
ESOP Information**

**(Unpaginated)**

# **Employee Stock Ownership Plans:**

## **A Morning Seminar on ESOPs**

**For Bankers, Attorneys, Development Workers**

---

**When: Wednesday, October 23, 8-10 A.M.**

**Where : Franklin Pierce Law Center, RM 203  
Washington St, Concord N.H.**

**Who: Presentation by Jim Megson,  
President of the Industrial Cooperative Association  
Nationally known expert on ESOPs**

---

### **Learn About**

**Employee Stock Ownership Plan's (ESOPs) As:**

- \* A Financial Product for Bankers, Attorneys, Accountants**
- \* A Part of a CRA Strategic Plan**
- \* A Way For Business Owners to Sell to their Employees With  
Very Favorable Tax Treatment for Themselves and Lenders**
- \* A Strategy for Community Business Retention**

---

**Cost: \$30 (includes materials, refreshments).**

**Please Register in advance. You may register at the door.**

**Contact: Roy Morrison, Energy America Education Fund  
603-456-3641/603-431-6562(Fax)  
P.O. Box 201 Warner, N.H. 03278**

# **Introduction of ESOPs**

## **Summary of Topics to be Considered**

### **1) The Legal Framework**

- History
- ERISA
- Interaction with other benefit plans

### **2) Structuring an ESOP**

- One-time or Phased sale
- Leveraged vs. Non-leveraged transaction

### **3) Taxation Issues**

- For the company
- For the seller (1042 rollover)
- For the financing source

### **4) Financing an ESOP**

- Internal vs. External
- Seller financing
- Bank financing
- Multi-investor ESOPs

### **5) Valuing ESOP Shares**

- Alternative Methods used
- Control Premium
- Discount for Marketability

### **6) Role of Trustees**

- Directed vs. Non-Directed

### **7) Role of Administrator and Administration Committee**

### **8) Examples of ESOP Transaction**



# **EMPLOYEE STOCK OWNERSHIP PLAN**

---

## **INTRODUCTION**

# ESOPS Definitions

---

- **ESOP (Employee Stock Ownership Plan)**
  - Qualified Employee Benefit Plan
  - Investing Primarily in Securities of the Employer
- **Non-Leveraged ESOP**
  - Does Not Use Borrowed Funds
  - Generally Funded by Employer Contributions of Stock
- **Leveraged ESOP**
  - Uses Borrowed Funds to Acquire Stock
  - Loan May Be From Seller or Third Party

# ESOPS Can Be Used To:

---

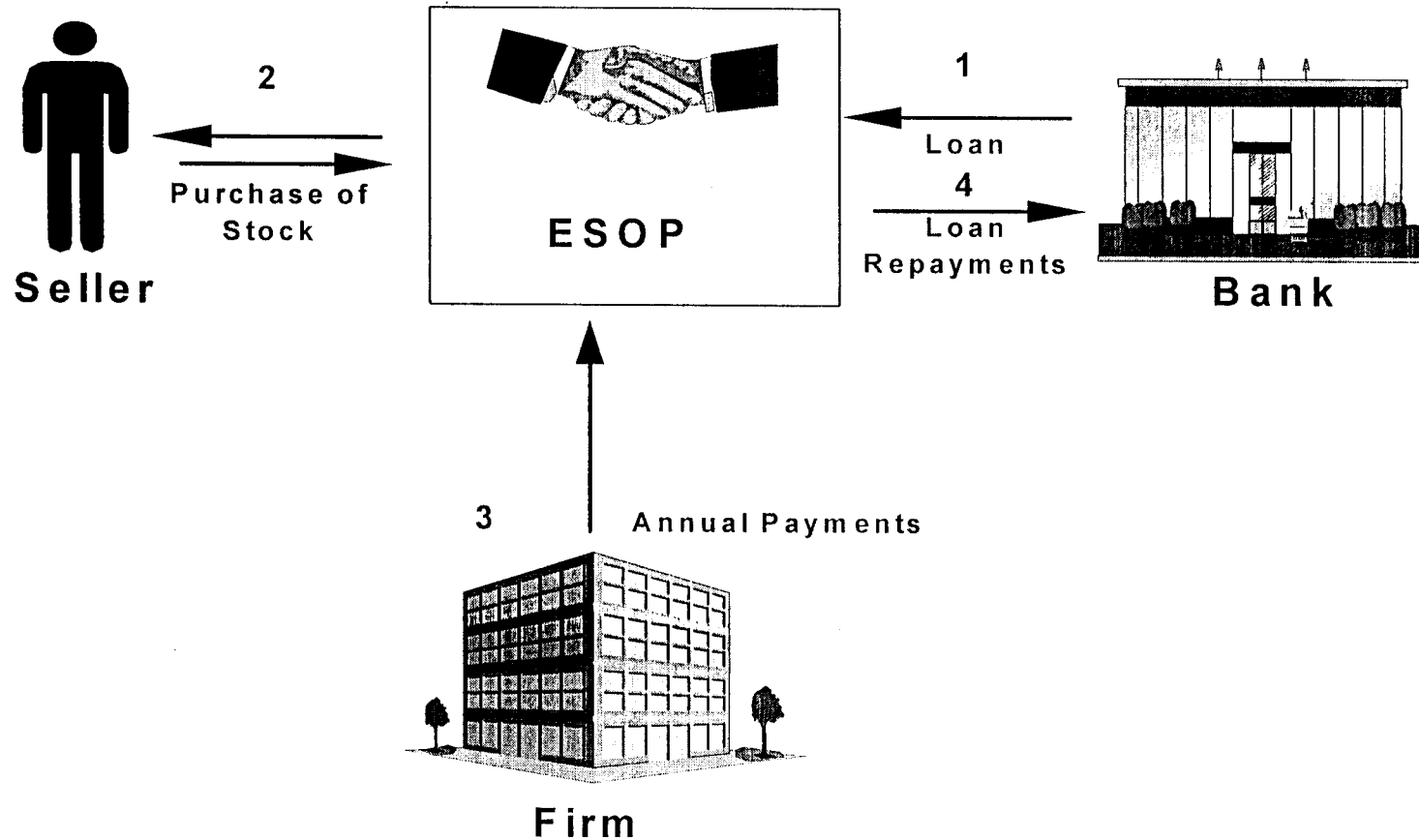
- **Sell a Closely-Held Company**
- **Create Liquidity for Owners**
- **Consolidate Share Ownership**
- **Raise Friendly Equity for Expansion**
- **Performance Related Benefit Plan**

# How The ESOP Works

---

- **Company Establishes the ESOP**
- **ESOP Purchases Stock from Owners**
- **Bank (or Seller) Provides Financing**
- **Company Makes Contributions to ESOP to Repay Debt**
- **Corresponding Amount of Stock Released**
- **Stock Allocated to Employee Accounts**

# The Transaction





# The Transaction: Explanation

---

- Bank Loans Money to the ESOP
- ESOP Uses Loan to Buy Stock from Owner
- Owner Transfers Stock to the ESOP
- Company Makes Contributions to ESOP to Repay Loan
- ESOP Uses Contributions to Repay Loan

# ESOP Benefits

---

## To the Company

- Principal Payments on the ESOP Loan are Deductible
- Dividends on ESOP Stock Are Deductible
- Employee Investment Should Improve Operating Income
- Net Worth Should Rise Faster
- Greater Productivity

# **Selling A Closely-Held Company**

## **Case Study 1a:**

---

### **■ Background**

- Inner City Company
- 35 Employees
- Ailing Owner
- No Interested Buyer

### **■ Objective**

- Owner Needs to Sell

### **■ Solution**

- 100% ESOP

# Phased Sale of Closely-Held Company

## Case Study 1b

---

- **Background**
  - Growing Family Business
  - 700 Employees
  - Strong Internal Culture
- **Objectives**
  - Keeping Employee Motivation
  - Share Success Across Company
  - Plan for Owners' Retirement
- **Solution**
  - Sell to Employees Over 10 years

# Phased Sale of Closely-Held Company

## Case Study 1c

---

- **Background**
  - Profitable High-Tech Company
  - 80 Employees
  - Subchapter "S" Corporation
- **Objectives**
  - Sell Over Several Years
  - Maximize Tax Benefits
- **Solution**
  - Prefund ESOP With Cash
  - Convert to "C" Corporation
  - ESOP Purchases Stock Over Time

# Create Liquidity For Owners

## Case Study 2

---

### ■ Background

- Strong Stable Company
- 75 Employees
- Owner Has Other Opportunities
- Valuable New Product "In Development"

### ■ Objective

- Realize Some Liquidity
- Benefit from Introduction of New Product

### ■ Solution

- Initial Partial ESOP
- Sale of Remaining Stock Phased Over Several Years

# Create A Market For Company Stock

## Case Study 3

---

### ■ Background

- 2nd Generation Company
- Stock Held by Several Family Members
- General Manager Holds 5% of Stock

### ■ Objective

- Create a Market for Company Stock

### ■ Solution

- Creation of a 30% ESOP

# Raising Expansion Capital

## Case Study 4

---

### ■ Background

- Rapidly Expanding Company
- Niche Market
- Needs Expansion Capital

### ■ Objectives

- Keep Ownership Internal
- Share Rewards of Success With Employees

### ■ Solution

- Bank Loan to ESOP to Buy Treasury Stock
- Outside Investor Who Will Resell to ESOP



# ESOP Structure Issues

---

- **Eligibility**
- **Vesting**
- **Allocation of Stock**
- **Voting of Employee Stock**
- **Distribution/Redemption of Stock from Leavers**

# ESOP Valuation Factors

---

- **Willing Seller - Willing Buyer**
- **Past Performance**
- **Current Situation**
- **Future Projections**
- **Comparisons**
  - Sales
  - Stock Market
- **Break-up Value**
- **Replacement Costs**

# ESOP Benefits

---

## To the Employees

- **ESOP Will Give Employees a Financial Interest**
- **Voting Rights**
- **Possibly Seats on the Board of Directors**
- **Contributions and Growth of ESOP Stock are not Taxable**
- **ESOP Distributions May be Rolled Over Into An IRA**

# ESOP Benefits

---

## To the Seller

- **Capital Gains Taxes May Be Deferred When Stock is Sold to ESOP**
- **ESOP May Be Able to Pay the Highest Purchase Price**
- **Seller May Retain a Portion of Ownership**

# Tax Deferred Rollover

---

- **Sell Stock to ESOP**
- **Make Election With IRS**
- **Invest Proceeds in Qualified Replacement Property**
- **Defer Tax on Gain Until Qualified Replacement Property Sold**



The ICA Group

An Employee Stock Ownership Plan (ESOP), is an employee benefit program that will improve corporate performance while at the same time provide substantial financial benefits to the corporation and to its owners. Following are some of the most important ESOP benefits.

1. **Tax-Favored Financing:** A company with an ESOP can deduct payments of loan principal. The company creates an ESOP. The ESOP borrows money from a bank and uses that money to purchase company stock, paying the company for the stock. The company may then use the money for any corporate purpose. The company repays the principal and interest of the bank loan through the ESOP, and gets a tax deduction for those payments. This deduction of both interest and principal payments of the loan is a significant tax advantage, since the company ordinarily could deduct only the interest payments if it had no ESOP and borrowed money directly from the bank.
2. **Capital Gains Rollover:** The tax on a gain from a sale of stock to an ESOP can be deferred, and may be avoided altogether. If an individual sells stock to an ESOP and immediately invests the proceeds of the sale in the stock of another corporation, the individual will not be taxed on any gain until the "replacement securities" are sold. If these replacement securities are held until the death of the individual, no tax on the gains is ever due.
3. **Improved Corporate Performance:** Research studies have shown that companies perform better when employees feel they play a part in the operation of the company. Establishing an ESOP helps to create such an atmosphere.
4. **Benefits to the Lender:** A bank gets a tax benefit for lending money to an ESOP if the ESOP will own more than 50% of the company's stock after the transaction.
5. **Estate Tax Reduction:** An estate receives a deduction of 50% of the amount realized on the sale of stock to an ESOP, up to a maximum estate tax reduction of \$750,000.
6. **Tax-Deferred Benefits to the Employees:** As part of an employee benefit plan, the company contributes cash or stock to the ESOP. If the company does well, the value of the stock may increase. When an employee leaves the company, s/he is entitled to the stock or cash value of stock in his/her account. The employees are not liable for income tax on the ESOP contributions, nor capital gains tax on ESOP holdings, until they are paid out upon termination or retirement.
7. **Protection Against Hostile Takeovers:** As a holder of a significant amount of company stock, an ESOP can play a major role in issues requiring shareholder approval. Because an ESOP is for the benefit of the employees, it will very often want to fend off a purchase that would be detrimental to them.



## ESOP SERVICES



The ICA Group

The ICA Group is a professional consulting organization dedicated to providing business, legal, education and financial services to employee-owned companies. Since 1978, ICA has been instrumental in hundreds of employee ownership transactions involving small and medium-sized businesses.

If properly structured, Employee Stock Ownership Plans (ESOPs) can offer valuable benefits for sellers of closely held businesses and employees alike. Shareholders can realize a higher gain by selling to an ESOP than through any other type of sale. And a well-designed ESOP allows employees to share not only stock ownership but also the responsibility for their company's future. This usually results in improved productivity.

ICA provides the full range of services necessary to both conclude an ESOP transaction and to ensure that your ESOP yields its full potential benefit. We specialize in educating your workforce and designing participation and communication systems so that employees will begin to feel and act like owners.

*The ICA Group's ESOP services include:*

### Business and Financial Consulting

- Preliminary company valuation to estimate fair market value
- Feasibility studies to determine if an ESOP is a financially viable option and how the transaction should be structured
- Comparison of ESOP option to other sale or succession options
- Business plans and financing memoranda needed to secure financing
- Coordination with other employee benefit plans

### Legal Services

- Deal structuring for ESOP buyouts and multi-investor buyouts
- ESOP design with regard to eligibility, vesting, allocation, voting and other key issues
- Plan documentation and reporting to IRS and ERISA
- ESOP loan documentation and closings
- Securities law compliance

### Workforce Education and Participation

- Communications programs to reinforce ESOP message
- Custom-designed seminars on how your company's ESOP works
- Financial education for employees
- Development of problem-solving teams and other participation programs
- Total quality improvement program design and implementation
- Design of governance systems

### Representative Client List

Chroma Technology, Inc., Brattleboro, VT  
Matrix Unlimited, Rochester, NY  
Jody Coyote, Eugene, OR  
John Roberts Ltd., Biddeford, ME  
Marland Mold, MA  
Franklin Research and Development Corp, MA  
Market Forge, Everett, MA



## INTRODUCING THE ICA GROUP

---



The ICA Group

Since 1978, the **ICA Group** and its affiliates have provided business and legal services, workforce education, and financing to employee-owned or community-based firms, and firms considering employee ownership. ICA's clients include scores of employee-owned businesses in virtually every industry and a variety of public sector and private non-profit organizations concerned with creating and retaining jobs.

*ICA is a full service consulting company, staffed by seasoned, committed professionals. Our services include:*

### **Business Consulting**

Our business staff advises clients regarding ESOP transactions, prepares feasibility studies for employee buyouts, develops business plans, develops new employee-owned ventures and provides ongoing financial and management consulting services for existing employee-owned companies.

### **Financial Packaging**

ICA's affiliate, The Local Enterprise Assistance Fund (LEAF) provides risk capital and financial packaging services for firms with significant employee ownership. By combining its own funds with those of other special lending programs and conventional credit sources, LEAF creates affordable financing packages for both start-up and expanding companies.

### **Legal Assistance**

Employee-owned firms, whether ESOPs or cooperative corporations, require specialized advice on corporate structure, taxation, and the mechanisms for ownership transition, all of which ICA-affiliated attorneys provide. Additionally, we have pioneered many legislative and administrative precedents in employee ownership law which facilitate the formation of these firms.

### **Organizational Development**

To capture the full potential of employee-owned firms, ICA designs participation and communication programs that help all employees to feel and act like owners. ICA consultants work with employees and management to design governance systems, introduce quality-improvement programs, redesign jobs and organize collaborative problem-solving teams.

### **Workforce Education**

Employee-owned firms are more efficient when workers understand their firm's ESOP or ownership plan, its financial position, and how their individual or department performance affects profitability. ICA custom-designs and delivers education programs that enhance information flow and improve company performance.

### **Policy Services**

ICA advises public and private institutions, including cities, states, churches, unions and community-based organizations, about using employee ownership to generate or to save jobs and helps craft policies which link employee ownership to broader strategies of economic development.

---

20 Park Plaza, Suite 1127 ■ Boston, Massachusetts 02116

Phone (617) 338-0010 ■ Fax (617) 338-2788





## RETAINING JOBS IN PLANT CLOSING SITUATIONS

---



**The ICA Group**

**The ICA Group** works with employee groups, unions, and state and local development agencies to save jobs by structuring innovative buyouts. ICA provides business, legal financial and educational services to help communities retain and create jobs. Our affiliated loan fund provides financing assistance to employee-owned companies.

In a potential plant closing situation, *all* alternatives for keeping that plant open should be considered. While ICA specializes in employee buyouts, ICA's efforts have helped save threatened jobs through a variety of methods. Companies we have assisted include:

- **Keewanee Boiler**  
An outside buyer was located to reopen this plant closed by bankruptcy.
- **Marland Mold**  
The company was purchased by the unionized employees using an ESOP.
- **Pacific Press and Shear**  
When the employees put in a bid to buy this closed plant, other buyers were encouraged, and the company and jobs were saved.
- **Market Forge**  
The company was bought 100% by the employees through an ESOP.

When you are faced with the potential closure in your area, ICA can assist you by:

- ✓ performing an initial screening to see if a buyout is feasible.
- ✓ exploring alternative options for retaining the threatened jobs; and
- ✓ doing the necessary business planning, legal work and financial packaging to complete the deal.

The recent Economic Dislocation and Worker Adjustment Act (EDWAA) provides greater opportunities and time to avert plant closings. ICA and its resources are ready to help you meet the challenge.



## Rebuilding the Economic Base: Market Forge sets an Example

In February the employee owners of Market Forge in Everett, Massachusetts met in their Annual Meeting to celebrate the conclusion of the first year of their company. They had good reason to celebrate! Sales and profits had increased significantly over previous years and exceeded the plan the workers had set themselves. The value of the stock owned by each employee had increased and the company had made the first investment in new equipment in many years.

As they celebrated many thought back to the day in 1991 when the owners, Specialty Equipment Corporation, announced that they would be closing the company and liquidating the assets.

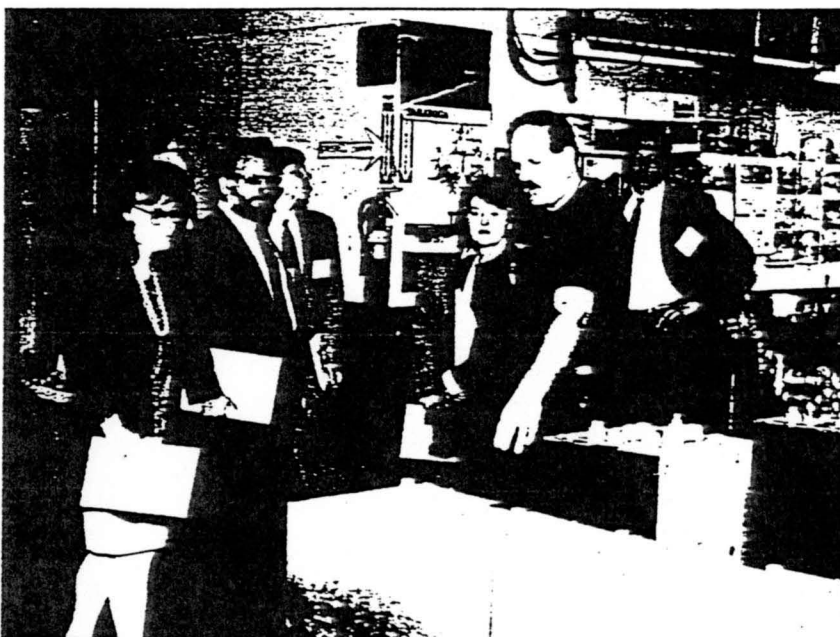
How Market Forge got to that point is, in many ways, a case study of how America's manufacturing base was sacrificed on the altar of short-term profits during the 80's. Founded in 1896, the company had, by 1985, become a leader in the manufacture of ovens and other types of cooking equipment for the food service industry.

The decline of Market Forge corresponded with its acquisition by a succession of corporate owners, beginning with Beatrice Companies in 1968 and ending with Specialty Equipment Company in 1985. None of these corporate parents chose to invest in the research and development of new products, improvements to the plant and equipment or marketing and sales. As a result

from 1985-1991 sales declined by 26% at a time when the industry was experiencing real growth of 1-2% annually. The company undertook numerous cost containment measures to cope with the decline in revenues and to shore up profitability. In 1985, the office staff was reduced by approximately one-third. Management implemented a program to eliminate marginally profitable products and customers, resulting in the elimination of various shelving lines and the discontinuation of a steam cooker line. The company also began outsourcing a significant number of parts and products, resulting in the layoff of approximately 20% of the unionized workforce. But without investment or long-term commitment from its various absentee owners, the company eventually found itself in an increasingly competitive industry with an antiquated manufacturing facility, an acrimonious work environment, and negative publicity due to several unsuccessful efforts to sell the company in the early 1990s. All these factors led to a decline in sales, market share, reputation, and morale.

The attempt to avoid the shutdown led to the first cooperative effort ever at Market Forge between management and labor. Instead of closing down, an employee buyout committee, comprised of union, clerical and management employees, was formed to consider all aspects of the proposed buyout. The committee guided the process of developing a business plan, negotiating the terms of a purchase and sale agreement, structuring and raising the financing and developing the Employee Stock Ownership Plan (ESOP). They worked together with ICA over a period of two years. Finally, after prolonged negotiations, ownership of Market Forge Industries was transferred to all its employees on October 30, 1993.

During the first year of operation, the company's performance has far exceeded even the most optimistic of forecasts. The company launched a major capital investment program to modernize plant and equipment, overhaul management information systems and accelerate research and development in new products. The company recently hired a new Chief Operating Officer Nath Srivastava to revamp the manufacturing operation and to modernize the plant's inventory control and management systems. Now, labor and management are working together to solve problems and chart business strategy for the first time in recent memory.



Bill Pace, Market Forge worker owner and Board member, leads a tour of Canadian cooperative development representatives. (See article on page 5)

# The Berkshire Eagle

Vol. 102 — No. 176

© 1993 Eagle Publishing Co.

Pittsfield, Massachusetts, Thursday, October 21, 1993

40 pages — 50¢ For home delivery, or only 35¢ daily, please call Eagle Circulation at 443-7311.

## Worker-owned company molds a new future

By Lewis C. Cuyler  
Berkshire Eagle Staff

PITTSFIELD — In its first year of operation as an employee-owned company, Marland Mold at 125 Peck's Road has exceeded its expectations in both employment and sales.

"When we took over the company a year ago October, our sales projections were \$6 million," said Don E. Madison, president. "Three months later we revised those expectations to \$7 million. On Sept. 30, when our first year books closed, we topped that number — not by a lot, but we were over."

### New customers

He said the company has gained 11 new customers whose orders exceed \$1 million and has increased employment from 47 in October 1992 to 67 on the current payroll.

"Next year we're going for \$8.3 million in sales, we also expect to put on eight new employees, seven on the shop floor and an engineer," Madison said.

Sharing his enthusiasm during an interview Monday were Michael Surowiec, president of Local 225, International Union of Electrical Workers; John Brower, a mold maker who is a director for the company; and John Hoyer, mold maker and operator of computer numerically controlled machines.

Asked for reasons behind the gains, their responses tumbled out, one after another.

"We're together," said Surowiec. "Positive attitudes." "Teamwork," said Hoyer. "Sticking to work we know," said Brower.

"We think like owners; we work like employees," said Madison.

Marland makes molds for such plastic "closures" as screw-on bottle caps. It also makes the molds for the container part of products such as deodorants.

Mold making is a demanding process, requiring the sculpting of high-grade steel into the molds that will be used to manufacture the plastics products. Tolerances routinely have to come in at two-to-five-tenths of a 1,000th of an inch, less clearance than the diameter of a human hair. To cut it that close, computers control the machines that grind and shape the molds.

"exceeds \$100,000," Madison said.

The buyout itself was an agonizing process that began in November 1991, when Tredgar, the parent company, decided to sell the local company in a consolidation move to reflect changing corporate goals.

### Considered long shot

Almost immediately, Robert S. Scott, now president of the IUE's New England District, initiated talks of a worker buyout, a possibility most regarded as a long shot. But key support came from Mayor Edward M. Reilly, then only four days in office, who pledged \$10,000 in community development money for the feasibility studies needed to explore a buyout.

Other contributors to those early studies were IUE Local 225, the union for the workers; the Central Berkshire Chamber of Commerce, and the state's industrial services program, for a total of \$22,500.

Negotiations dragged on way beyond the late spring closing date anticipated by John Darmack, president of Shared Ownership and Management, the company that negotiated the deal in return for 5 percent ownership of the company.

Finally, on Oct. 2, 1992, an operator could pick up the phone with the greeting "Marland Mold." Instead of "Tredgar." The papers for the \$3 million transaction had been signed at 9:05 that morning.

The five major lenders, for a total of \$2.53 million, were First Agricultural Bank, \$2.35 million; National Cooperative Bank Development Corp., \$250,000; Massachusetts Industrial Services program, \$100,000; the ICA revolving loan fund from a national group supporting worker buyouts, \$80,000; and Pittsfield Economic Revitalization Corp.

The upshot of the complex deal was that two IUE pension funds controlled 85 percent of the company's stock, Shared Ownership controlled 5 percent and the workers owned 30 percent, even though they had yet to receive shares of stock.

The first distribution, \$231,000 in shares, with each share worth \$100, occurred Sept. 30.

The stock is being revalued, Madison said, with expectations



Mold machinist Steven Knappe measures the diameter of holes in molds used to make caps for deodorant containers.

crease. That means that if a worker currently holds 10 shares worth \$100, those shares will be worth more following the revaluation. Workers leaving or retiring from Marland, sell their shares back to the company.

Madison said the company will buy back stock from the IUE pension funds and from Shared Ownership, then distribute those shares to workers. He said he hopes that 100 percent worker ownership can be achieved in five years.

The four interviewed said worker ownership has been a major factor in productivity gains because of the relationship between productivity and profit. The average pay for workers is \$14 per hour, they said.

Madison, who managed the plant under the Tredgar ownership, estimated that productivity had increased by 20 to 23 percent under employee ownership.

ownership requires much more extensive communications between those in the shop and those in the office as well as the sharing of financial information and decision-making. It also means employee representation on the board, with three of the nine members workers. Madison is also on the board.

In addition, there are union-management meetings at least weekly and many more newsletters and memos, and the minutes of the board meetings are posted on the company bulletin board, they said.

The interview covered four other highlights of the year.

The hiring of K. Anders Edlund as vice president of marketing and sales, a man with wide experience in the industry. He joined Alfred Hogue, longtime sales manager, and Guy Bachon in the department that Madison credited as instrumental in the

The commitment to become ISO 9001 certified, a near two-year program to assure the company meets international quality standards. With customers in 14 foreign countries accounting for 40 percent of gross sales, such certification is regarded as essential if a company is to remain competitive in the international marketplace of the 1990s.

The investment of about \$200,000 in capital equipment, an expense offset by selling equipment outmoded for Marland's current operations. Madison said \$600,000 has been budgeted for capital equipment for the current fiscal year.

Madison, who has spent a 32-year career working with Tredgar and its predecessors, said his experience of the past years has confirmed his belief in employee buyouts.

"We were a good prospect," he said. "We had good help, good equipment and good customers."



Don E. Madison  
Company president



John Brower  
Mold maker, company director



John Hoyer

# 4 REASONS TO SELL YOUR BUSINESS TO THE EMPLOYEES

*When it comes time for you to sell all or part of your business, either because you want to retire or to diversify your investments, you have several choices:*

- Sell to a competitor
- Sell to a corporate or financial buyer
- Liquidate the assets
- SELL TO YOUR EMPLOYEES

This last option is not one that most owners think about, but it can be very attractive, especially when you use the valuable tax advantages available to Employees Stock Ownership Plans (ESOPs).

**Thanks to favorable tax treatment, you can realize a higher gain selling to an ESOP than with any other technique.**

For many closely held businesses, there is no ready market for company stock. Employees are natural buyers, and federal tax law now makes a sale to employees especially lucrative.

- The money you receive from an ESOP sale can be rolled over into qualified replacement securities, deferring any capital gains tax until you sell those securities. If the replacement securities pass into your estate, *capital gains tax can be avoided entirely*.
- The money used by your company to pay off the ESOP loan is *fully tax-deductible — including the principal*. Repaying the loan with pre-tax dollars greatly improves the company's cash flow and the willingness of lenders to finance the deal.
- Bank rates on ESOP loans are *lower than traditional loans*. It is not uncommon for the company to receive ESOP loans at below prime, even in highly leveraged deals. Banks can loan money to the ESOP to buy your company without having to pay taxes on one-half the interest they receive from the loan. They are willing, therefore, to lend at favorable rates.

Taken together, these advantages can help ensure that you get the best possible price for your company, while deferring the capital gains tax for many years.

**When you sell to your employees, you can do so gradually — at a pace that suits your needs and that you can control.**

You do not have to sell all at once with an ESOP. And you do not have to give up control of the company until you are ready to do so. In addition, if you wish, your partners or your family can retain an interest in the company indefinitely. These features make a sale to an ESOP an extremely flexible way to sell a business.

**Employee-owned companies are more profitable and faster growing than traditional companies.**

Research has shown that profits, productivity, job satisfaction and growth are higher in employee-owned firms. This is particularly true in companies that combine communication and participation programs with stock ownership. This means that if you retain some shares in the business, your shares should appreciate, making your potential return even higher. Similarly, seller financing is more secure in an employee-owned company.

**When you sell to your employees, valued employees are rewarded, and you ensure that their future is in their own hands.**

Selling to an outsider can often result in the facility being closed, or existing management being replaced. Selling to employees leaves control to those who have helped you build your business for years — those who know it best. This rewards them, and ensures that the people you have depended on are in control of your company and their futures. It also makes it more likely that your company will continue to live and grow as an independent business.

# Employee Ownership Works!

There are more than 9,000 companies in the U.S. with ESOPs and the number is growing steadily (10% per year). ESOPs exist in all industries and in all sizes from large service companies like Avis, to manufacturing companies like Weirton Steel, to small, closely held retail businesses, such as supermarkets and dry-cleaners. As long as there are roughly fifteen (15) employees on your payroll, and the company is profitable, there is no reason that an ESOP could not work for you.

More than one-third of the ESOPs in existence were formed by retiring owners of closely held businesses, taking advantage of the extraordinary tax benefits outlined above. And because an ESOP is flexible, it can be tailored to the seller's need, the company's management structure, and the characteristics of the workforce. This flexibility means that there is certain to be a model appropriate for your situation.

Be assured that the concept can and does work. It is doing so today, all across America. Still, the concept is relatively new, and while it is not overly complicated, you will need qualified professional help to plan and implement a sale to your employees.

## How ICA Can Help

Every business is unique, and so are the objectives of owners who wish to sell their business. With more than ten years of experience, ICA is one of the foremost companies designing employee ownership for small businesses. We have been instrumental in transactions in a variety of industries and companies, ranging from \$1 million to \$9 million in value.

We can also help to finance an employee ownership transaction through the ICA Revolving Loan Fund. The Loan Fund not only makes loans directly to worker-owned businesses, but it also will use its contacts with banks and other financial institutions to help you put together a deal as quickly and efficiently as possible.

*Our services include:*

### 1. Exploration of Succession Options.

We can help you clarify your objectives, explore the employee ownership option, and compare it to other available options.

### 2. Transaction Planning.

Once you have decided to pursue employee ownership, we can help you conduct a preliminary valuation of your company; assess the interest of your workforce in the plan; negotiate price ranges and general terms of the transaction; recommend an appropriate legal structure; and devise a complete transition or "conversion" plan.

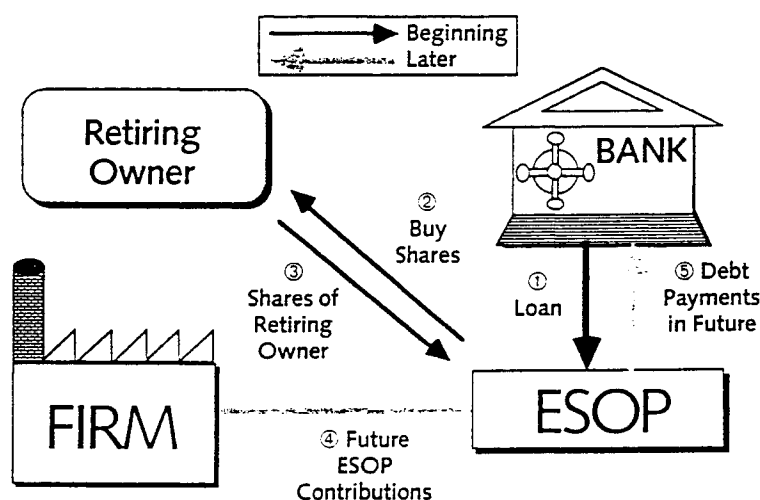
### 3. Implementation of the Conversion Plan.

Once you have approved a conversion plan, we can provide legal documentation and assist in the plan's implementation. We can also help you create a detailed business plan and secure financing, if necessary.

### 4. Post-Conversion Services.

Once the plan has been implemented, we can conduct employee education to assure that everyone understands the employee ownership program and its benefits. We can also calculate repurchase liabilities and provide ongoing management training, if necessary.

## Leveraged ESOP Buy-Out of Retiring Owner



- ① Loan: Bank loans money to ESOP (Usually guaranteed by the firm).
- ② ESOP uses loan money to buy shares from retiring owner.
- ③ The retiring owner transfers stock to the ESOP.
- ④ Firm makes ESOP contributions each month equal to the loan payments.
- ⑤ ESOP passes contributions through as loan payments to bank.

**Appendix II:**

- \* Project Contract**
- \* Progress Reports**
- \* Community Analysis**

**Roy Morrison  
PO. Box 114  
Warner, N.H. 03278**

**603-456-3641**

---

**CED Project Concord, N.H. (1/96):**

**Project Contract:**

**Business Succession Planning for Concord, N.H.  
Small Business Owners**

**I. The Project**

**A. Project Problem Statement :**

If we don't develop an effective and employee based means for business succession many firms will fail and we will lose the opportunity to help build an employee owned community economic sector.

**B. Who:**

Owners in the small business sector who are now the major generator of new private sector jobs and of increasing significance in the total employment picture. Working with owners will lead to working with the employees.

The small business sector is now the major generator of new private sector jobs and of increasing significance in the total employment picture. Small businesses are more inherently connected to the local community and its institutions than, for example, corporate branch plants.

The project will attempt to use Concord, N.H. as a local model for small business succession planning.



The project will focus on businesses between approximately 30-40 to 300-400 employees as the most likely candidates for succession planning and ESOP conversion.

Ken Lurvey, Concord Economic Development Director was very supportive. He provided detailed general business and employment information about the City of Concord and discussed a number of specific businesses that her thought might be good candidates for ESOPs including:

1. Beede Electric, family owned, Walt Pellitier, auto parts 340 employees;
2. Hoyt Electric, family owned, Doug Hoyt, computer parts, 80 employees;
3. Exacom, Helmut Koch owner, voice mail systems for Northern Telecom, 45-50 employees;
4. Rivco, Doors and Windows manufacturer in Penacook 297 employees;
5. Concord Litho, Cook family;
6. Sanel Auto Parts, Henry Sanel, parts retailer 200 employees in a number of stores.

Jim Megson of the Industrial Cooperative Association has provided me with copy of report: "Designing A Model Outreach Program for Business Succession in Closely Held Firms" from the Northeast Ohio Employee Ownership Center.#

This report provides reviews of a number of such efforts and presents model outlines and time lines for such efforts.

Of particular relevance to Concord, N.H. is the suggested targeting of firms between about 30-40 to about 300-400 employees, particularly manufacturing firms. Dental, medical, legal and other professional partnerships of whatever size are usually very poor candidates. Very small firms usually do not have the resources and interest to engage in the succession planning /ESOP effort without outside subsidy. Larger firms, above about 400 employees, usually( but not always) have more sophisticated financial planning and

management.

(See Additonal Material below for more community background.)

**C. What:**

There is a need for succession plans by owners; knowledge of Employee Stock Ownership Plans(ESOPs); training for workers; training for lawyers and accountants; knowledge of tax consequences; community outreach and organizing.

The tax code offers a very attractive means through Employee Stock Ownership Plans (ESOPs) to sell businesses to employees. ESOPs can be structured democratically to create a democratically controlled worker owned firm.

The initial work product of the project will be focused on workshops focusing on succession planning and ESOPs to be conducted by myself and the Industrial Cooperative Association for:

1. Local lawyers and accountants to be providers of succession and ESOP planning. They will receive the chance of new business and may obtain continuing education credits;

2. Local small business owners to inform them about succession planning and ESOPs and begin to identify firms interested in proceeding further.

Outreach to the small business sector will be conducted through a variety of means including work coordinated with the City of Concord Development Office, Concord Chamber of Commerce, N.H. Community Loan Fund, N.H. citizen Action, and the Industrial Cooperative Association.

Outreach efforts will include distribution of materials by the City Development Office and business associations; direct conduct with likely business owners; conducting breakfast workshops for accountants and lawyers to provide ESOP training; breakfast workshops

for interested business owners in conjunction with the Industrial Cooperative Association, and training for accountants/lawyers with ICA.

Following outreach and continued discussion with business owners those interested with succession planning will be directed to the ICA, or other practitioners, as appropriate, for the planning, business valuation, legal, and employee training aspect of business conversion process.

The project will be most interested in the creation of democratic ESOPs, but all sorts of local business retention will be considered a contribution to community health and stability.

John Logue and Stephen Clifford, in "Designing A Model Outreach Program for Business Succession in Closely Held Firms", suggest the importance of so-called "warm" as contrasted to "cold" invitations to business owners. That is , cold calls using for example SIC codes and Dun and Bradstreet information that are a good source for identifying businesses have not proven to be an effective means of approaching business owners.

It is the intention of this project to work whenever feasible. with contacts to develop so-called warm invitations to participate.

Jim Megson of the ICA also suggested the possibility of including in the target business population local franchise operations of national chains that are often locally owned small businesses. If successful, they have proven market power.

#### **D. How Much**

The failure of small business owners to plan for succession often leads to business dissolution and loss of community jobs. According to a 1995 survey by the Arthur Andersen consulting firm 50% of N.H. family owned business CEOs plan to retire within the next five years but 75% of those businesses (37.5% of total ) have made no succession

plans. And almost half have little understanding of severe tax consequences that death of the owner may entail.#

**E. Whom**

Work with Small business owners, Community Development planners; N.H. Community Loan Fund; Industrial Cooperative Association; Greater N.H. Chamber of Commerce; N.H. AFL-CIO and local unions; N.H. Citizen's Action; Community groups; Local lawyers, accountants, tax planners, educators.

Interviews and discussion have been held with:

1. Kenneth G. Lurvey, Director Economic Development Department City of Concord (City Hall 41 Green St., Concord NH 03301 603-225-8595);

Ken Lurvey is supportive and will work to provide information and contacts with business owners.

2. Valerie P. Lynn, Vice-President Greater Concord Chamber of Commerce (244 North Main St., Concord, N.H. 03301 603-224-2508, fax 224-8128).

Valerie P. Lynn was interested in the project and indicated that Concord has substantial graying ownership group. We will schedule future meetings to arrange training meetings for lawyers/accountants and business owners.

3. Julie Eades, Director N.H. Community Loan Fund( State St. Concord N.H.);

Julie Eades, indicated that NHCLF is interested in succession planning and democratic ESOP conversion working both with business owners and community groups. Their planning process made active participation unlikely before Sept. 1996.

4. Jim Megson, Director Industrial Cooperative Association, Boston MA (Park Plaza, Boston MA. 617-338-0010, Fax 338-2788).

Jim Megson of ICA wants to work in N.H. giving succession workshops, both for training lawyers and accountants and for small business owners. The ICA can provide technical assistance to interested owners.

5. Judy Elliott, New Hampshire Citizen Action, (S. Main St. Concord, N.H. 603-225-2097)

Judy Elliott is beginning new community employment initiative for NH Citizen Action and is interested in the project.

6. Brett St. Clair,. Business and Industry Association of N.H. (BIA), 122 No. Main St. Concord, N.H. 03301 (603-224-5388).

BIA President and big business honcho John Crozier declined to have the BIA participate directly in the project. He did refer me, however, to the University of New Hampshire's Penley Forum for Family Owned Businesses that deals with business succession issues. I have contacted them and will arrange a future meeting.

#### **E. General Goals and Outcomes**

Succession planning leading to ESOP conversion of thee firms can be the basis for:

1. Community job retention;
2. Creation of democratically controlled worker owned firms;
3. Helping build a worker owned and community based business sector with an active interest in a range of community development activities.

A collateral benefit of the project will be to help create more interest in modifying New Hampshire cooperative law to establish a legal structure for worker owned cooperative corporations modeled after the Massachusetts law for worker cooperatives (MGL 157A).

## **II. Project Contract Summary**

### **A. Project Product**

At the end of the project I plan to help make ESOP oriented business succession planning a live option actively considered and underway in the Greater Concord area.

Such work will include training for lawyers and accountant as service providers and for small business owners.

The project will serve as a model for further New Hampshire work that I hope will be conducted through the New Hampshire Community Loan Fund or other group.

### **B. Basic Outputs for Project Operation**

1. Working relationships with small business groups and their members;

2. Working relationships with local lawyers/accountants working of succession planning and ESOPs

3. Training sessions for lawyers and accountants;

4. Training sessions for small business owners.

5. Working relationships with community and citizen groups concerned with business succession, coops, and ESOPs.

**C. Inputs**

1. Expertise and materials for training from Industrial Cooperative Association  
(ICA will provide);

2. Connection to lawyers and accountants and small business owners through City of Concord development office and Greater Concord Chamber of Commerce.

(City is interested in helping. Chamber of Commerce is interested, but probably will won't me to become a member as price of cooperation.)

3. Meeting room in local hotel or restaurant for breakfast training session meetings for owners and longer training session for lawyer/accountants.

(I will shortly begin to explore as part of budget and schedule process.)

4. Arrange for continuing education credits for lawyers and accountants participating.

(I will raise issue will local lawyer/account associations)

5. Sufficient funds to meet projected expenses. Budget will be formulated shortly. Michael Swack indicated that he would assist in helping raising necessary funds.

(Costs include meeting rooms, ICA charges to be negotiated, publicity, Chamber membership. Income include charge e.g. \$20-30 for workshop participants to both raise funds and show earnestness, grant money and personal contribution).

**D. Implementation Plan**

1. January, discuss preliminary workshop schedule with Jim Megson ICA (RM, Jim Megson);
2. January, meet with Chamber of Commerce to discuss workshops and outreach (RM, Valery Lynn, Ken Lurvey);
3. January/February formulate budget (RM);
4. January/February/March fundraising (RM and Michael Swack);
5. February/March, plan first training workshop for lawyers/accountants (RM, Jim Megson, Valerie Lynn Chamber of Commerce, Ken Lurvey City of Concord);
6. April/May publicize and recruit for training workshop (RM, Jim Megson, Valerie Lynn, Julie Eades, NHCLF, Judy Elliott, NH Citizen Action);
7. June conduct first training workshop for lawyers accountants (RM, Jim Megson and ICA); Set date for first workshop for business owners in fall, and second lawyer accountant workshop if advisable;
8. July/Aug/Sept outreach, recruitment for owners workshop (RM, Jim Megson, Valerie Lynn, Julie Eades, NHCLF, Judy Elliott, NH Citizen Action);
9. October, Conduct first training session for owners; begin follow up work with owners on planning (RM, Jim Megson, Valerie Lynn, Julie Eades, NHCLF, Judy Elliott, NH citizen Action);
10. November/December continue follow up/planning worker/community connection on interested firms (RM, Jim Megson, Valerie Lynn, Julie Eades, NHCLF, Judy Elliott, NH Citizen Action)
11. January/February project evaluation and reporting. (RM)



Schedule future ongoing project follow on work. (RM, Jim Megson, Valerie Lynn, Julie Eades, NHCLF, Judy Elliott, NH Citizen Action).

### **E. Minimum Objectives**

Minimum objectives are to make business succession planning and ESOPs an active issue in the Greater Concord Community. As a material result of meeting such an objective I would like to see at least one workshop held before December 1996. The project plan is to have one workshop held for lawyers/accountants, and one for small business owners.

The success of the project is less in the conduct of workshops and more in influencing the attitude of people in the community on the issues of succession and increasing the understanding of employee ownership as a valid part of succession planning.

In the broader sense, the project may lead to ongoing work by myself and others and this issue.

### **E. General Goals and Outcomes**

(See page 6 above)

[See Additional material Below Following Progress Reports]

**III. Project Progress Reports**

**February 1996**

**To: Woullard Lett Project Group**

**From: Roy Morrison**

**Subject: CED Project Update**

**Project : "Business Succession Planning for Concord, N.H. Small Business Owners."**

**\* Obtained from Jim Megson at the ICA suggested agenda for breakfast training meeting for small business owners;**

**\*Obtained from ICA training materials packet for distribution focusing on the democratic ESOP;**

**\*Obtained copy of Mass. model Mondragon type coop law -- will discuss with N.H. Senator Burt Cohen, with whom I am now working on municipal electric utility aggregation bill, for introduction in next term of legislature (Burt has a very safe seat) to be filed in fall 1996;**

**\*Contacted Concord Chamber of Commerce, will meet VP Valerie Lynn in February to plan first training meeting that will either be for accountant/lawyer ESOP providers or for small business owners. The Chamber wants me to join in exchange for their help. That's about \$500 a year, and needs to be part of fundraising;**

**\*Talked to Concord Holiday inn about costs for room and refreshments for meetings. Small room for 25-30 \$100 to \$150 plus about \$10-\$15 per person for breakfast/coffee, and more for other meals;**

**\*Will formulate budget in February and speak to Michael Swack about help with small grant.**

March 1996

To: Woullard Lett Project Group

From: Roy Morrison

Subject: CED Project Update

Project : "Business Succession Planning for Concord, N.H. Small Business Owners."

\* Concentrated on exploring workshops for local attorneys to hold education training session in Sept. 1996 focusing on training and information on legal issues for ESOP (Employee Stock Ownership Plan) and particularly democratic ESOP conversion of existing firms.

\* From Lee Jones at the NH Bar I obtained information on Continuing Education Credit approval. I need to submit detailed materials and course outline.

\* Obtained information on ads in NH Bar News (from \$200 to \$400) to publicize event. Plus can obtain list of names of attorneys in N.H. bar interest sections e.g. small business, labor, taxation who might be interested in these workshops.

There are four elements to my overall business succession strategy:

1. Training /Education/ Outreach

For attorneys, accountants, and small business owners

2. Community outreach and Education

For community groups, unions and local officials

3. Legislative

Amending N.H. Cooperative Statute to adopt model Mondragon-type coop legislation.

The NH CED project is focused on item one Training.  
March Project Update

\* Concentrated on exploring workshops for local attorneys to hold education training session in Sept. 1996 focusing on training and information on legal issues for ESOP (Employee Stock Ownership Plan) and particularly democratic ESOP conversion of existing firms.

\* From Lee Jones at the NH Bar I obtained information on Continuing Education Credit approval. I need to submit detailed materials and course outline.

\* Obtained information on ads in NH Bar News (from \$200 to \$400) to publicize event. Plus can obtain list of names of attorneys in N.H. bar interest sections e.g. small business, labor, taxation who might be interested in these workshops.

There are three elements to my overall business succession strategy:

1. Training /Education/ Outreach

For attorneys, accountants, and small business owners

2. Community outreach and Education

For community groups, unions and local officials

3. Legislative

Amending N.H. Cooperative Statute to adopt model Mondragon-type coop legislation.

The NH CED project is focused on item one Training.

Feb. Project Update

\* Obtained from Jim Megson at the ICA suggested agenda for breakfast training meeting for small business owners;

\*Obtained from ICA training materials packet for distribution focusing on the democratic ESOP;

\*Obtained copy of Mass. model Mondragon type coop law -- will discuss with N.H. Senator Burt Cohen, with whom I am now working on municipal electric utility aggregation bill, for introduction in next term of legislature (Burt has a very safe seat) to be filed in fall 1996;

\*Contacted Concord Chamber of Commerce, will meet VP Valerie Lynn in February to plan first training meeting that will either be for accountant/lawyer ESOP providers or for small business owners. The Chamber wants me to join in exchange for their help. That's about \$500 a year, and needs to be part of fundraising;

\*Talked to Concord Holiday inn about costs for room and refreshments for meetings. Small room for 25-30 \$100 to \$150 plus about \$10-\$15 per person for breakfast/coffee, and more for other meals;

\*Will formulate budget in February and speak to Michael Swack about help with small grant.

April 1996

To: Woullard Lett Project Group

From: Roy Morrison

Subject: CED Project Updates

Project : "Business Succession Planning for Concord, N.H. Small Business Owners."

April Project Update

\* Discussed with Jim Megson of the Industrial Cooperative Association (ICA) in Boston training session in Concord for local lawyers and accountants in business succession and ESOP (Employee Stock Ownership Plan) planning and particularly for democratic ESOP conversion of existing firms.

\* Have tentatively set date of training session to be Wednesday, Oct. 23 1996, or another day of that week.

\*Session will likely be breakfast 8:00-9:30 A.M. to allow business people to work on that day. This will be confirmed after discussions with attorney and accountant groups.

\* Jim will send me course details that I will submit to Lee Jones at the NH Bar I obtained information on Continuing Education Credit approval.

•Jim and the ICA WILL CONDUCT THE SESSION FOR EXPENSES WHICH ARE MINIMAL. HE RECOMMENDS CHARGING ATTENDEES \$35 to cover other expenses and place value on time for participants.

Next tasks: speak to accountants, lawyer subsections, Chamber of Commerce, Holiday Inn, make budget, fundraising, publicity.

End April Update

July-August 1996

To: Woullard Lett Project Group

From: Roy Morrison

Subject: CED Project Update

Project : "Business Succession Planning for Concord, N.H. Small Business Owners."

\* Project came together in July and August 1996.

\* The ESOP training seminar will be held on Wednesday, Oct. 23 from 8A.M. to 10A.M. in room 203 at the Franklin Pierce law Center on Washington Street in Concord, N.H. Cost will be \$60 for two hours. We can bring in our own coffee and Danish or have it catered.

\* Arnie Alpert and Martha Yeager of NH CRA Association are interested in use of ESOP's as a financial product for banks to integrate into their CRA strategic plan following your suggestion.

\* Martha Yeager supplied a number of banker contacts that I am pursuing.

\* I have talked about the seminar with Dan Evans of St. Mary's Bank and he is enthusiastic and will probably help in encouraging other bankers to attend.

\* Discussed the seminar Director of State Bankers Jerry Little association. He wants more details and is considering helping to promote the the Oct. seminar.

\* Discussed seminar with Liz Lisk, new Working Capital staff at NHCLF, she will attend and consider others who may be interested. She was unfamiliar with ESOP mechanism.

\* I'm going to place less emphasis on attorneys and more on bankers. The bar association has not been very supportive, and there fees for mailing labels, ads etc. are substantial for a low budget operation.

\* In general, the bankers and community development people have shown more interest than the Chamber of Commerce, and the Bar Association. I will concentrate my outreach on communities that are interested.

\*I will distribute flyers/information to publicize the seminar in early September.

\*This work appears to be establishing the basis for ongoing ESOP work in New Hampshire, particularly through the work of bankers and NH CRA Assoc.

July-August 1996

To: Woullard Lett Project Group

From: Roy Morrison

Subject: CED Project Update

Project : "Business Succession Planning for Concord, N.H. Small Business Owners."

- \* Project came together in July and August 1996.
- \* The ESOP training seminar will be held on Wednesday, Oct. 23 from 8A.M. to 10A.M. in room 203 at the Franklin Pierce law Center on Washington Street in Concord, N.H. Cost will be \$60 for two hours. We can bring in our own coffee and Danish or have it catered.
- \* Arnie Alpert and Martha Yeager of NH CRA Association are interested in use of ESOP's as a financial product for banks to integrate into their CRA strategic plan following your suggestion.
- \* Martha Yeager supplied a number of banker contacts that I am pursuing.
- \* I have talked about the seminar with Dan Evans of St. Mary's Bank and he is enthusiastic and will probably help in encouraging other bankers to attend.
- \* Discussed the seminar Director of State Bankers Jerry Little association. He wants more details and is considering helping to promote the the Oct. seminar.
- \* Discussed seminar with Liz Lisk, new Working Capital staff at NHCLF, she will attend and consider others who may be interested. She was unfamiliar with ESOP mechanism.



\* I'm going to place less emphasis on attorneys and more on bankers. The bar association has not been very supportive, and there fees for mailing labels, ads etc. are substantial for a low budget operation.

\* In general, the bankers and community development people have shown more interest than the Chamber of Commerce, and the Bar Association. I will concentrate my outreach on communities that are interested.

\*I will distribute flyers/information to publicize the seminar in early September.

\*This work appears to be establishing the basis for ongoing ESOP work in New Hampshire, particularly through the work of bankers and NH CRA Assoc.

End

#### **IV. Additional Material**

##### **Community Analysis:**

##### **Concord, N.H. Small Business Owners**

##### **1. Political/Administrative Structure**

##### **Formal:**

##### **Government**

Concord is the State Capital and largest city in Merrimack County. Concord has a City Council. The Alderman with most votes is Mayor. Council hires City Manager.

As State capital there are substantial state facilities and institutions in Concord.

A number of small towns surround Concord and compose what is loosely considered the Greater Concord area, including Loudon, Canterbury, Chichester, Penacook, Boscawen, Hopkinton, Epsom, Henniker these have part time Selectmen and Town Clerk and sometimes Town Managers.

The project will be concerned with the Greater Concord Area. To the South is the large Manchester area, the state's largest city. to the North is the smaller Franklin-Tilton area.

##### **Unions**

The headquarters of the N.H. AFL-CIO is in Concord as well as the Headquarters of a number of other unions including the powerful State Employees Association (SEA) affiliated with the national SEIU; NH NEA, NH AFT. Most Concord businesses are not organized.

The Concord Firefighters Association is an active and powerful local union. The electrical workers represent workers at Concord Electric Company.

##### **Business**

Headquarters of the NH Business and Industry Association (BIA) is in Concord. BIA represents mostly large firms, but does include smaller businesses. The Greater Concord Chamber of Commerce represents 734 local mostly small businesses.

### Informal

#### The Heights

On a local level much power is wielded by the wealthy group living on “the heights” on the north end of Concord. This is a group of generally liberal (in NH terms) Republicans lawyers, doctors, business owners, bureaucrats. The poorer wards can help elect some democratic Representatives, State Senators and aldermen. State Senator Susan McLane a patrician Republican with a social conscience, for many years represented the Concord area until she retired. Her seat was won by a woman Democrat.

Similarly, a local business inclined elite serves as selectmen in the richer surrounding local towns. In the few poorer communities, there is more of a working class political culture, but business interests have considerable influence.

Since it is the state capital, Concord is filled with lawyers, lobbyists, politicians, a number of hotels and motels, as well as hospitals and other institutions. It's also a shopping center for surrounding towns. Small business interests and business values are important in Concord

In a resolutely reactionary state, Concord is rather benign. It's given more to be boring than mean in its politics. It is a town that could regard succession planning and ESOPs as a sound business strategy with community benefit, but is unlikely to embrace ESOPs as a venue for economic democracy.

## 2. Population & Demography

Concord population is 36,623 in 1995. Future growth is projected to be modest according to NH Office of State Planning (40,835 by 2015).

Greater Concord area is approximately 75,000 people. Merrimack County, of which Concord is the capital has a population of 120,000.

84.5% of population over 25 has high school diploma or better. (56.4% high school grad; 28.1% some college).

Population is overwhelmingly white and Protestant. There is a Catholic minority, a number of whom are French Canadian. There is a small, active Jewish community. The non-white community does not have a strong organized presence. There is some homelessness, but most of the very poor find at least temporary shelter. Salvation Army offers assistance to the poor, and a Pleasant St. soup kitchen provides daily meals.

There is an active and aggressive local cooperative housing organizing and construction program.

The group of business owners is older and better off than the average.

### **3. Economic Activity**

Concord recovered relatively well from the deep recession of the early 1990s. As elsewhere there is a long term loss of manufacturing jobs and growth of service work.

Total employment was 24,119 in 1994 in Concord (\$523.46/wk). There were 2,680 manufacturing jobs (\$535.02/wk) in 1994 compared to 4,505 in 1985. Non-manufacturing jobs were 21,439 with average wages of \$523.46. The high service wages reflect, I believe, the high skill level of state, health and associated legal and administrative workers. There are significant numbers of low paid service jobs.

Unemployment averaged 2,790 in 1994 , down from 4,200 in 1991.

There are a number of industrial or business parks.

The largest employer by far is the State of NH. The largest private employers are Steeplegate Mall,1100; Concord Hospital 975,

Chubb Life America, 876, McKerley Management Services (nursing homes) 715, Healthsource NH (managed care) 395, Beede Instrument Co. , 340.

The cost of living is slightly higher than the U.S. average (113.55% vs U.S. average of 100%).

The concord real estate tax rate is high, \$27.43 per \$1,000 valuation based on 100% of market value. This reflects New Hampshire's reliance on property taxes and is not unusually high for a New Hampshire City.

#### **4. Social Stratification & Power Relations**

There are large numbers of single family home owners ranging from working class to upper middle class. There is considerable sense of class differences. But Concord is a community that may be said to be working. Unemployment and crime is low. Social services, though beleaguered, are usually adequate.

The high real estate tax rate combined with little state aid and much state property means continual pressure on local tax payers and on public services and public service workers.

Firefighters staged successful resistance to closing a branch station with community support. City has contracted out garbage pickup.

The civic political culture is resolutely friendly to business.

See Informal under 1 above for more details.

#### **5. Organizations & Their Functions & Activities**

As mentioned above, Chamber of Commerce, BIA represent business. City government attempt to provide active planning role.

There is some stress between City and its unions. AFL-CIO

attempts to play active role, particularly fighting right-to-work and for workplace safety and higher UI benefits, which are dismally low in N.H.

The Concord Interfaith Council plays an active, socially conscious role.

N.H. Citizen Action does organizing on low income issues.

## **6. Leadership Pattern & Its Influence**

Elite government and business leaders set the tone led by Gov. Steve Merrill and BIA's John Crozier, and political-legal players such as lawyer Tom Rath.

N.H. is the most Republican State in the nation. Concord is a relatively liberal Republican town in N.H. terms, capable of electing some democrats.

Liberal figures such as David Lamar Vincent of N.H. Council of Churches, exercise some leadership. There is an active and aggressive cooperative housing group. Second Start provides educational and training services for the disadvantaged.

Concord will support candidates backing an income tax to help alleviate the high property tax. It's a rather well ordered Republican universe with a paternalistic streak. Opponents are rather well behaved.

## **7. Culture Facets or Traditions**

Social disintegration is much less apparent than, for example, in Manchester. At the same time, ethnicity as an organizing force is also less apparent. Most people tend to look and act, even if they are not, like white protestants in the New England tradition. There is a substantial Catholic minority including a local monastery and a residence for Sisters of Mercy who are politically active. The Jewish community has a visible role. through Temple Beth Jacob, a Reform

congregation. The fundamentalist Christian Community is growing.

The strongest sense on a broad scale for many is neighborhood and class identity.

The city is relatively tolerant, and at the same time rather oblivious to events. Concord: City in A Come was a popular t-shirt for a while.

Cultural life, once minimal is increasing.

#### **8. Heath, Sanitation & Nutrition Levels**

Conditions are generally good. There is much local medical infrastructure of high quality. Cost, of course, is problem for working people and for small business.

#### **9. Education**

(see demographics above)

There are a number of colleges including Franklin Pierce Law Center, Daniel Webster College, N.H. Vo-Tech, and New England College in Henniker.

Concord is also home to St. Paul's School an elite prep school that has little contact with the general life of the area. There is Catholic Bishop Brady High School and a Concord Christian School.

Workers educational ability is good.

#### **10. Crime and Deviance**

Street crime is not a significant problem. Hard drug use is low. Police are aggressive and intrusive, but police violence is not frequently reported. Concord and most of the surrounding area is dull. There is some small scale white color corruption. The homicide rate is 3 per 100,000 population, or about three per year in Merrimack county.

New England College in Henniker has significant alcohol use problems.

This is a well ordered place.

### **11. Space, Its Use and Shape**

Land has generally been free for aggressive development, paving pastures and leveling forests. A new mall was allowed to open outside of town that has put pressure on Main St. businesses.

The collapse of real estate boom has given a reprieve for open land.

There is some effort to maintain open space through zoning, purchase of development rights and development of park land.

The frontier Concord may be the banks of the Merrimack River that have been little developed.

### **12. Critical Issues and Problems**

Greater Concord is still generally at the mercy of broader regional and national trends. As a service and government center it is relatively well positioned economically.

Greater Concord is an area that would benefit greatly by having a sharper sense of itself and plans to assert and develop its identity, particularly through the articulation of community and neighborhood interests as counterpoint to business and developer happy talk.

It would be of material benefit to strengthen the community business sector through growth of worker owned businesses through succession planning and coop organization.