

The core principles of what we are trying to achieve

For partial C-Corp ESOPs to flourish in a manner that is good for workers, companies, and our broader economy, we believe that the existing ESOP structures must be complimented by a new Partial C-Corp structure which achieves the following:

1. The tax incentives for larger businesses, and those across a more diverse set of end markets, need to be commensurate with the cost of providing ownership to workers. We are striving to provide workers with substantial upside but at an up-front cost that is manageable to a company.
2. We must avoid undue litigation risk if we are going to see broad adoption (especially among larger companies). The transaction structure must be designed to ensure that workers in these new ESOPs are being treated appropriately.
3. The stock awards should disproportionately benefit rank-and-file employees, not executives.
4. We must prevent situations where companies (and shareholders) get tax breaks but don't deliver meaningful value to workers.
5. The partial C-Corp ESOP should not be the sole retirement plan for workers, and workers should be allowed to access some portion of their funds before retirement without penalty. Many workers need help now, not just at retirement.
6. Importantly, any required changes to the tax code or ERISA should be done without inadvertently disrupting the highly effective and ongoing 100% S-Corp ESOP activity.