

OPINION

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GUEST EDITORIAL | Whit Perryman

Take unusual retirement option

In the midst of the worst American recession in 70 years, profound uncertainty plagues many retirement- and near-retirement-aged Americans. Some unemployed workers have had to raid their retirement savings to make ends meet, others have seen their savings depleted by weakness in the stock market, and most of us have too little spare cash to set aside much for the future.

In all, working Americans' retirement situation is generally pretty bleak.

In spite of these troubling trends, one business structure offers real hope for building retirement savings for U.S. workers while creating other significant benefits as well. It's called private employee ownership — often referred to as an S corporation ESOP — and through a combination of cultural and economic incentives it has helped companies across the country remain strong in the face of a difficult economy, grow jobs and help millions of workers build meaningful retirement savings.

Our company, Vermeer Texas-Louisiana, is one such S ESOP business, and we have seen firsthand the enormous benefits employee-ownership provides for our employees. Vermeer established the ESOP structure in 1995, and today we are 100 percent employee-owned. All 135 of our employees have seen firsthand the job stability and retirement security that our business structure provides.

Congress changed the tax code in the 1990s to allow the establishment of S ESOPs. These arrangements allow workers of a private company to own some or all of the business. Shares of the company's stock are given to the workers by the company — employees almost never make contributions to these plans — and held in a trust that is in every respect a retirement savings plan. As the company profits, the shares increase in value. As the employee stays with the company, they gain additional shares. Therefore, workers at S ESOP businesses go the extra mile to make their companies

successful.

They reap the benefits of their efforts, too. A study from the National Center for Employee Ownership showed retirement accounts in S ESOP companies have balances three to five times higher than the average American's 401(k) plan. These account balances add up to about \$14 billion in savings for U.S. workers that wouldn't otherwise exist, according to a 2008 study by the University of Pennsylvania. And it's not just our company that's seen such a success.

A recent study by economist Alex Brill, who was the tax advisor to the bipartisan Simpson-Bowles deficit reduction commission, reports that S ESOPs have been better job creators and job retainers than other private firms. In fact, Brill's study, "An Analysis of the Benefits S ESOPs Provide to the U.S. Economy and Workforce," shows that in the decade ending in 2011, surveyed S ESOPs increased jobs by an astonishing 60 percent — and that while the overall private sector jobs remained flat. At Vermeer, in the past 10 years we have created 52 new jobs in Texas.

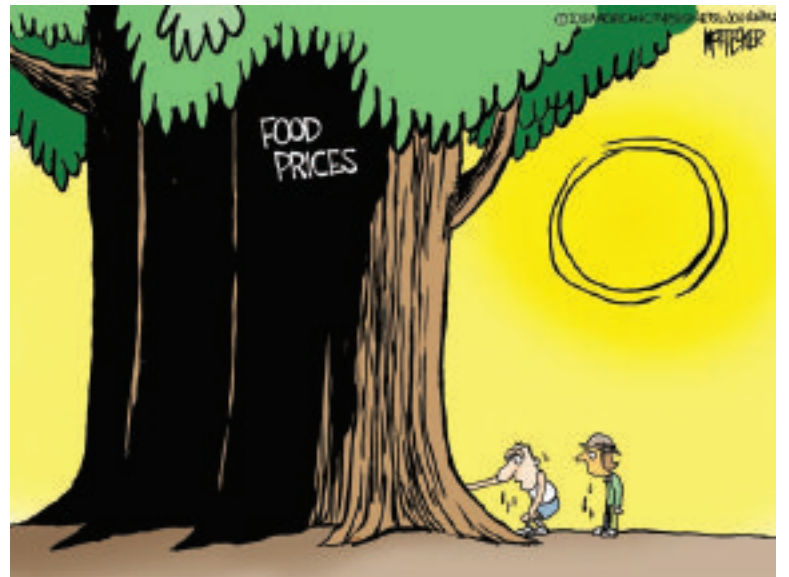
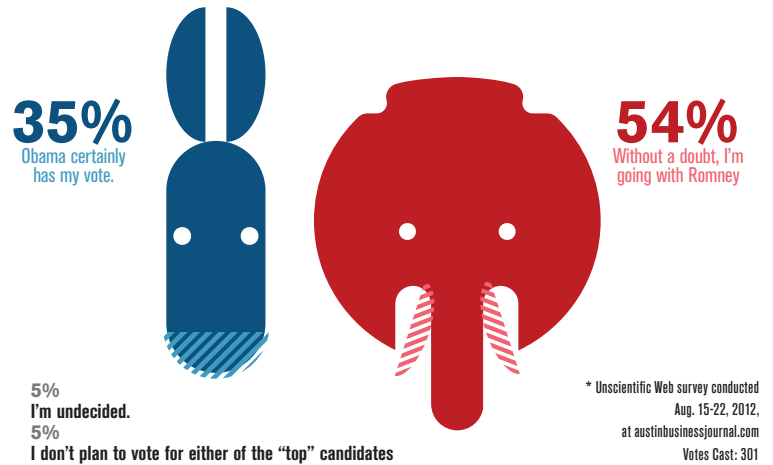
The Brill study also noted that S ESOPs are proliferating, and with luck more companies will adopt this model and benefit from the S ESOP structure that Congress first allowed in 1998. Brill's study doesn't tell us anything that we at Vermeer don't already know. But since S ESOPs are a creation of the tax code, Brill's study and other data remind us that now is the time for policymakers and business leaders to take note: More S ESOPs means more good jobs, stronger businesses and communities, and considerable worker savings.

The tax code, in this sense, is doing something right. At a time when our economy is in need of a boost, let's preserve and expand models that have shown to succeed, especially those that can weather rough economic times.

WHIT PERRYMAN is CEO of Vermeer Equipment of Texas Inc., which sells and leases heavy equipment.

ABJ BUSINESS PULSE

Obama or Romney: Have you made up your mind?



"IT APPEARS TO BE ONE OF THE FEW SPECIES TO THRIVE IN A DROUGHT"

BIO: IPO right now doesn't sound appealing so startup seeks other avenues to cash

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officials "actually came here for a visit, and I think we really made an impact."

No one from the city would confirm that any such meeting has occurred nor whether the city is considering some financial assistance to the fledgling biotech firm.

"The city of Austin does not comment on negotiations related to economic development incentive proposals," city spokeswoman Melissa Alvarado said.

Otero and Simard conceded that financing is a major issue — though not the only one affecting plans to move ahead with the campus.

In early 2011, Simard told the *Austin Business Journal* that XBiotech was considering an initial public offering to raise capital, but that's off due to current market conditions.

"We've thought about an IPO, and we would consider it strongly, but it's not so appetizing at the moment," Simard said.

Recently, a tech publication noted that XBiotech had completed a successful round of funding from private investors in the U.S., Canada, Switzerland and Luxembourg. Simard wouldn't reveal how much was raised recently, but he said the company has raised about \$50 million since it was started in the mid-2000s.

Amy Holloway, an economic development expert who co-owns Avalanche Consulting Inc. in Austin, said local government entities should support feasible biotech companies.

"It's a smart economic development target for Austin, and our opportunities would be even greater with the development of a medical school here," Holloway said.

She said she's unfamiliar with XBiotech,

'It's a unique and safe drug. It's hard to describe without sounding fantastical. We block the inflammation, and there's not a single company doing it the way we are.'



Simard

however, and so is local business owner and economic development guru Gary Farmer.

"I do not know anything about the company," said Farmer, who owns Heritage Title Co. of Austin Inc. and is the past chairman of the Greater Austin Economic Development Corp.

Simard is undeterred, certain that his company is destined for greatness.

"It's a very unique and safe drug. It's hard to describe without sounding fantastical," Simard said. "We block the inflammation, and there's not a single company doing it the way we are."