
From: drolston@hatcocorp.com [mailto:drolston@hatcocorp.com]
Sent: Wednesday, February 02, 2011 3:57 PM
To: EBSA, E-ORI - EBSA
Subject: Definition of Fiduciary Proposed Rule

Dear Sir/Madam,
DOL

My name is David Rolston. I am president of Hatco Corporation, a 100% ESOP manufacturing company in Wisconsin. I recently heard about your plan to make our valuation firm an fiduciary: [DOL Proposed Regulation – Definition of the Term "Fiduciary" \(Federal Register, Volume 75, Number 204, Pages 65263-6578, October 22, 2010, Proposed Regulation\)](#).

My initial reaction was "Why"? After discussing this with the trustees of our ESOP, and our valuation company, I still am wondering "Why".

Hatco has been an ESOP since 2004. We have 4 trustees who are very familiar with the business and the employee/owners. It is the Trustee's responsibility to be the fiduciary, safeguard the value of the company shares for our 375 employee owners. This process works well.

Our owners are thrilled to have ownership. They take great pride in their work, and we are known for our high quality commercial foodservice equipment (restaurant equipment).

As you may know, running a company, and keeping our manufacturing operations in the United States, as Hatco has successfully done, is not easy. We are challenged every day by increased cost and complexity in our business.

Making our valuation company a fiduciary just piles on more cost and complexity. Our valuation currently costs us about \$9000 per year. If I were doing the job, I would certainly feel fairly compensated at this amount. However, if I were doing this job, I certainly would not agree to take on the liability that you are proposing in order to achieve this level of income. Our valuation company agrees. When searching for a valuation company, we wanted one that had some experience with ESOP's. We found one, but ESOP valuations are only a relatively small portion of their business. As they stated, and I fully agree, it would not be worth doing this business if they are facing this liability. They told us they would stop doing ESOP valuations.

This causes two problems for Hatco. First, we would need to find another valuation company, and compensate them for their risk. I can't imagine getting this service for less than \$50,000. In addition, there will be added complexity because of the few number of valuation companies offering this service. As it is, our year end process is a scramble. We need to close the books, get the valuation done, let the trustees review and approve it, then finally discuss the year end valuation with our owners. Currently, this discussion takes place in March. I certainly would not want to drag this out longer. Our owners deserve an update on their asset sooner, not later.

Having relatively few valuation companies to choose from will further congest the year end process because all ESOPs will want their valuations at the same time.

I understand that you are trying to solve some perceived problems. Without knowing the data, I cannot argue whether these problems are legitimate. I can tell you that I think there are better ways to solve these problems than by making our valuator a fiduciary. Please consider

abandoning this requirement.

The ESOP community has numerous regional and national chapters of a couple different ESOP specific organizations. ESOP company leaders tend to be passionate about the ESOP concept, and I'm sure that many would be willing to help craft other solutions. I know I would be willing to do so.

I would be happy to further discuss this issue with you to answer any further questions.

Thank you for your time,
David Rolston
President and CEO
Hatco Corporation
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Here are 8 reasons why the DOL proposed regulations