

OWNERS AT WORK

OHIO EMPLOYEE OWNERSHIP CENTER

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ESOPs: The Legacy of Russell Long

Bill McIntyre

When former Sen. Russell B. Long (Dem-LA) passed away on May 9 at age 84, a little of all of us in the ESOP community died also. He was the father of ESOP legislation. Without Russell Long, there would be no broad acceptance of ESOPs, and each of us would likely be doing something very different. Through his sponsorship of ESOPs, Long had a huge positive influence on millions of employee owners. They are his heirs and ESOPs are his legacy.

Russell Long was first elected to the Senate in 1948 — one day before turning 30, the minimum age for serving as a senator. He won by 10,000 votes, but no opponent ever came that close again. He became an expert on tax law, sitting on the Senate Finance Committee from 1953, and serving as chairman from 1966 until Republicans gained control of the Senate in 1981. "He knows the tax code about as thoroughly as the pope knows the Lord's Prayer," Sen. William Proxmire (Dem-WI), once said.

Sen. Long's proudest tax law accomplishments were the

earned-income credit, which rewards poor, working families for staying off welfare rolls; the provision allowing a taxpayer to earmark \$1 of taxes for a presidential campaign finance fund and a 1975 tax break for businesses that helps workers buy shares of their company through an ESOP.



"My father was the greatest man I ever knew," Sen. Long once said. But he conceded that he and his father had different ideas about populism. "He wanted to tax it away from those who had it," Long once reflected. "I wouldn't keep anybody rich from getting richer."

Sen. Long was a champion of tax breaks for business in general, remarking on one occasion, "I have become convinced you're going to have to have capital if you're going to have capitalism."

At a 1973 dinner with Louis Kelso, a San Francisco investment banker who had been promoting the ESOP idea since the 1950's, Long became convinced that employee ownership would realize his father's dream to "share the

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Braun & Steidl Architects Break New Ground

A groundbreaking ruling from the Ohio Board of Examiners of Architects has paved the way for broad-based employee ownership in professional architectural corporations in the state. The ruling was sought by Braun and Steidl Architects of Akron and Columbus OH, which was seeking to implement an employee buyout of founding partners. The State Board of Examiners of Architects requires that professional architectural firms must be owned by registered architects, but with its ruling that an ESOP can own up to 49% of the firm, it opens a way for the nonprofessionals in architectural firms to share in their growth and prosperity. State boards govern professional corporations, and this ruling by the Ohio Board of Examiners of Architects does not apply outside Ohio.

The groundbreaking ruling is a far cry from the intentions of Charles "Chaz" Schreckenberger and Robert "Rob" Habel, who initially did not intend to set up an ESOP at all. They were hoping to lead a management buyout of the retiring owners.

Braun & Steidl Architects was established in Akron in 1984 by partners Jack Braun and Doug Steidl. In 1994, they opened a Columbus office to create opportunities for growth for younger employees, and over the next few years, they offered ownership to five employees of the firm, including Chaz and Rob.

By 2002, the company had grown to 45 employees, and

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wealth" and "make every man a king." He thought that employee ownership would bolster capitalism by creating more wealth through increased productivity and spreading wealth more evenly. Kelso's plan offered a non-radical way of achieving more income equality. Sen. Long explained his backing of ESOPs with the statement, "The problem with capitalism is that there are not enough capitalists."

With Sen. Long's backing, legislation calling for an ESOP study was signed into law by President Nixon on January 1, 1974, and the rest is history. The Employee Retirement Income Security Act of 1974 (ERISA) was the first of over twenty U.S. laws that encourage ESOPs with tax advantages and protect employee-owners' investments with regulations.

In 1983, Sen. Long told the Senate, "Employee stock ownership is not a partisan issue; rather, it is an issue that cuts across party lines in an attempt to bring out the best in our free enterprise system. It is only fair and right that those who work to make this economy succeed should have an opportunity to share in that success. It is a matter of simple common sense and basic equity."

"The problem with capitalism is that there are not enough capitalists."

Today, there are over 10,000 ESOP companies and over 11 million employee-owners.

I met Russell Long when he visited ComSonics, Inc., the Virginia-based 100% ESOP-owned company where I was Chief Financial Officer. He had been invited to visit our facility by our founder, Warren Braun. For the Senator, there was no political benefit for his visit, because we were not located in Louisiana, and he was retiring from the Senate. He simply wanted to see and meet people who were living the reality of the ESOP idea he had championed into law.

We met in our conference room – Sen. Long and about 10 ComSonics' employees. I remember him asking many questions and carefully listening to our replies. When he was asked, "If ESOPs are so good, then why do we need all the tax incentives to make people adopt ESOPs?" Sen. Long's response was, "I've never had a problem using a little bit of sugar to get the horse inside the barn."

Sen. Long used the tax code to get people and companies to do the right thing, to spread employee ownership. Because of him, we have had the opportunity to show that employee ownership works. **OAW**

Architects (Continued from page 1)

Chaz and Rob were asking themselves, "How do we take the company to the next level?" Jack and Doug were reaching an age where they were interested in selling their shares and turning the day-to-day management over to the next generation. An appraisal revealed that the company had done well, making it too expensive for the younger partners to simply buy out the founders.

The first time that they considered the ESOP option, they rejected the idea, believing that the ESOP would not be well received by employees, and that it would unacceptably dilute management ownership. But they also recognized that they did not have sufficient knowledge of ESOPs to make an educated decision.

Their fears were calmed when they better understood the rules and regula-



Charles Schreckenberger (above) and Robert Habel



tions and the tax incentives available to sellers, companies and employees. They worked with ESOP attorney Dale Vasek of McDonald Hopkins and ESOP accountant Mike Pappas of Barnes Wendling, both of Cleveland, OH. The ruling Vasek obtained from the state board provided a framework for the buyout. Working with Dan Smith of Key Bank in Cleveland, they put together a financing package in which managers who were licensed architects bought 51% of the stock and the ESOP bought 49%. Chaz noted, "The demographics of the firm played a big role in adopting this approach. We do not have many people retiring in the next five years, so the ESOP repurchase obligation will be minimal in the early years when we'll be paying off the ESOP loan."

On December 26, 2002, Braun & Steidl Architects joined the ranks of ESOP companies. They view the ESOP as first and foremost a retirement plan to provide the most reward for people who stay at the company and contribute to its success. **OAW**

The **OHIO EMPLOYEE OWNERSHIP CENTER (OEOC)** is a university-based program which provides information and technical assistance to retiring owners, buyout committees, labor unions, managers and community-development organizations interested in exploring employee ownership. Center staff can help locate competent and appropriate legal and financial advisors, and perform initial assessments to determine whether employee ownership is a viable option. The OEOC develops resource materials on employee ownership and participation systems, sponsors workshops and conferences for the general public, develops and delivers training programs for employee owners, facilitates cooperation among employee-owned firms, coordinates a comprehensive succession planning program, and assists international efforts to privatize businesses through employee ownership.

The OEOC is funded by grants from the Ohio Department of Development's Office of Labor/Management Cooperation, the Ohio Department of Job and Family Services, the P.B. Heron Foundation, the U.S. Department of Labor as well as contributions from Kent State University, *Friends of the Center*, and the companies that comprise Ohio's Employee-Owned Network. **Address:** OEOC, 309 Franklin Hall, Kent State University, Kent, Ohio 44242. **Tel:** (330) 672-3028 **Fax:** (330) 672-4063 **email:** oeoc@kent.edu **website:** <http://www.kent.edu/oeoc>

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An Employee Ownership Bank for the U.S.?

A “U.S. Employee Ownership Bank” to foster increased employee ownership throughout the United States has been placed on the national political agenda by the U.S. House of Representatives Committee on Financial Services. Testimony before the Subcommittee on Financial Institutions and Consumer Credit on June 10 focused on expanding employee business ownership in the United States and providing incentives to financial institutions for loans to employees to create ESOPs and worker cooperatives.

The hearing was called at the request of Congressman Bernard Sanders of Vermont to consider a draft legislative proposal to create an Employee Ownership Bank within the U.S. Treasury Department. The United States has lost millions of good-paying manufacturing jobs in just the last few years. The proposal is an effort to combat that negative trend by helping American workers buy their facilities, educating them in employee participation strategies so they can be competitive, and anchoring capital locally in the process.

The proposed U.S. Employee Ownership Bank Act would provide for grants to states, non-profits and cooperative organizations with experience in developing employee-owned businesses and worker-owned cooperatives to provide education, outreach, technical assistance and employee participation training. The proposed Act would also provide for third-party prefeasibility and feasibility studies to determine if the business would be profitable. In addition, the Act would make available loan guarantees or subordinated loans to help employees purchase viable businesses.

Steve Clem, Senior Program Coordinator at the Ohio Employee Ownership Center, testified as part of a panel that included J. Michael Keeling of The ESOP Association; Jim Megson, ICA Group; Frank Adams, Southern Appalachian Center for Cooperative Ownership; and Richard Dines, National Cooperative Business Association. Testimony from this group concentrated on their respective programs and ac-

tivities, the rationale for and benefits of worker ownership and the need for federal policy to encourage employee ownership.

A second panel presented success stories of existing worker owned companies along with stories of failure that might have been prevented if a U.S. Employee Ownership Bank had been in existence. Success stories were related by George Ray, LeFiell Manufacturing, Santa Fe Springs, CA, and Sherry Ceresa, Gardener's Supply Company, Burlington, VT. On the other side of the coin, the availability of friendly and timely financing could have made a happier outcome for the efforts of Dave McCune, at Massillon Stainless, Massillon, OH; Larry Owenby, Paper, Allied – Industrial, Chemical and Energy Workers International Union (PACE), at RFS Ecusta, Brevard, NC; and for Monty Payne, PACE, at International Paper, Natchez, MS. The OEOC worked closely with Dave McCune in his efforts to save the stainless steel facility in Massillon. His statement is profiled in the accompanying story on this page.

Passage of the U.S. Employee Ownership Bank Act would allow the OEOC and other support organizations to more fully and effectively achieve their core mission of broadening employee ownership by providing a needed financing source to help employees buy the facilities where they work rather than see them close and the production move elsewhere. Every year, OEOC technical assistance sees at least one otherwise viable employee buyout fail because of a lack of timely, friendly financing. A United States Employee Ownership Bank could help remedy that situation.

The testimony of all parties can be found on the Financial Institutions and Consumer Credit Subcommittee web site -- <http://financialservices.house.gov/hearings.asp?formmode=detail&hearing=226&comm=3>. Sanders is now seeking House and Senate sponsors for the proposal. **OAW**

Bank Could Have Saved Massillon Stainless

David K. McCune

Statement to The Financial Institutions & Consumer Credit Subcommittee of the Committee on Financial Services, U.S. House of Representatives on The U.S. Employee Ownership Bank Act, Washington D.C. June 10, 2003

Good afternoon, I am David K. McCune, United Steelworkers Local 1124-01 Unit Chairman representing the employees of a longstanding stainless steel cold rolling facility last known as Massillon Stainless Inc., located in Massillon, Ohio.

I am here today to provide you a history of our facility, along with a brief summary of our ongoing efforts to save and reopen the facility in which we worked. We have fought for the last several years to keep our facility operational, not only because of our jobs there, but also because we believe we fight for a piece of American history.

The facility in which we worked was originally part of the old Republic Steel Corporation. We were known as the Enduro

Division of Republic Steel. Our facility was the first all-encompassing manufacturer of stainless sheet and strip in the United States. At one time, it had the ability to produce stainless sheet and strip in widths ranging from 3/8" to 60" wide, and in gauges from .009 to .310. For many, many years we were the only stainless facility in the world with 60" capability.

We consider our plant as part of the history of America. The product that was manufactured in our facility over these past many years contributed to some of the most famous landmarks of our nation, and aided in the arming of our forces during war, along with supplying normal everyday businesses.

If you ever had the opportunity to visit the former World

Trade Center, the shiny stainless steel in that big, beautiful, lobby was produced in our facility.

If you ever visited the Empire State Building, the shiny stainless steel trim was produced in our facility, not to mention some of the unseen heavy construction material.

We produced the shiny ornamental stainless you see in and on the Chrysler Building as well.

These are just a few examples of our contribution to our nation's history.

Our facility also contributed to the arming of our fighting forces in WWII, Korea, and Vietnam. The workers in our facility feel that through the production of high quality stainless armor plate, we have contributed not only to our nation's freedom but also to the freedom of many other nations of the world.

And as I mentioned earlier, our product is seen by nearly all of you, depending on your health, and your eating habits, on a weekly if not daily basis. When you are sick and need care, many, many of the hospitals and doctors' offices east of the Mississippi river utilize stainless steel produced in our facility. Anywhere you might see stainless in a McDonald's Restaurant built prior to 1999 east of the Mississippi River, it was more likely than not produced in our facility.

So I believe you might understand, with our contributions to our nation's building history, our contribution to our forces in time of war, along with our contributions to people's everyday lives, why we are proud of, and willing to fight for, the continued existence of the facility and our jobs there.

Because so many of us are second and even third generation steelworkers of the facility, we believe we fight for our fathers and grandfathers as well as a piece of American history. A history that not only we, but a history that our fathers, grandfathers, and yes, even our some of our grandmothers contributed to through these many, many years of stainless production in Massillon, Ohio.

It is because of our willingness to fight for survival that I am here today. Had an Employee Ownership Bank existed last year when I was first made aware of the financial position of the company, we would still be in operation today rather than hoping and praying that our last interested entity steps forward, purchases the facility, and in the process saves our jobs and a piece of everyone's American history.

I will share with you a brief story of our most recent efforts to save the facility, along with why I believe we were unsuccessful, at least to this point, in saving the facility.

Last April through a joint Labor/Management Steering Committee, the employees were notified that the company's financial position was eroding and that cost-cutting measures would need to be implemented. Ever since the initial purchase of the facility by Jindal Strips Ltd., I had been inquiring about their interest in an ESOP, but I believe due to our cultural differences, the ownership remained unwilling to explore shared ownership with the employees. You see, Jindal is a company from India where employee involvement is, well ... taboo.

Most people were amazed I was able to get the management group to involve themselves in a team-based work system; and no one was surprised when I could not convince them to share in

the ownership of the facility. But in July of last year management approached me to explore the possibility of an ESOP.

It was at this time we requested representatives of the Ohio Employee Ownership Center come to the facility and explain the *how's* and *why's* of ESOP companies. At that meeting, it was decided to do a pre-feasibility study and that its findings would determine what course if any could be taken to save the facility and our jobs. The pre-feasibility study rendered a decision that the Company had waited too long, the business was now in dire straights and an ESOP was not an option. It was also at this time our efforts became a "Save The Facility" effort through the hopeful identification of a Strategic Partner.

We followed guidelines set forth by the OEOC, and after interviewing several firms it was jointly decided that Locker Associates headquartered in New York City presented us the

best opportunity to identify a potential strategic partner. With funding from the OEOC, generous donations by the City of Massillon, and help from both the District and Local Union, we were able to retain Locker

Had an Employee Ownership Bank existed last year, Massillon Stainless would still be in operation today

Associates to begin the search.

Locker Associates contacted many entities and was in the process of identifying a potential partner when the Owner/CEO of Jindal Strips Ltd. arrived at the facility last September and informed everyone he no longer desired to be part of the facility in any capacity, and shortly thereafter announced the impending shutdown of the facility.

At this point the effort to save the facility by identifying a purchaser became an "Employee Only" effort.

Rather than bore you all with the many ups and downs we have endured these past several months, I will give you but one example of why I believe we would be operational today had an Employee Ownership Bank existed. Locker Associates identified a long-standing domestic company that was willing to purchase the facility and include the employees in ownership, but because of the general financial climate in the steel industry at the time, this entity was unable to identify a lending institution willing to invest in a shut down stainless cold rolling facility.

Ladies and gentlemen, it is at this point that I truly believe had the proposed Employee Ownership Bank existed we would have been able to jointly purchase our facility in a partnership with this entity. But because no such vehicle exists, I find myself out of work and hoping that our last interested party will step forward and purchase the facility and save our jobs.

Should they decide to not purchase, our jobs and our piece of American history will cease to exist forever. The site will be razed, the equipment sold, most likely to a Third World nation, and the machinery that has produced material that has fought three wars, aided in the construction of some of this nation's most notable buildings and landmarks, will be producing stainless steel in another country only to be shipped back into our country at the cost of American manufacturing jobs.

I appreciate everyone taking the time here today to listen to the story of our plant, and of our most recent fight for survival, but most importantly you are here today to hopefully take a giant step in the direction of creating a vehicle that will help workers of this nation help themselves now and in the future. **OAW**

Ohio's Oxley and Kaptur Receive Awards From National Coops

Ohio Representatives Mike Oxley (R) and Marcy Kaptur (D) were named National Cooperative Business Association (NCBA) Honored Cooperators for their ongoing commitment to credit unions and cooperatives—businesses owned and controlled by depositors, consumers, and workers, not by outside investors.

"Congressman Oxley has been a reliable friend of credit unions and other cooperatives his entire career," said Chuck Snyder, president of the National Cooperative Bank and chairman of the NCBA board of directors. "For his leadership and support for all types of cooperative businesses, I am proud to present NCBA's Honored Cooperator Award."

"As chairman of the House Financial Services Committee, Mike Oxley has made it a priority to ensure that for the first time in many years credit union concerns are specifically addressed in a regulatory-relief bill," said Daniel A. Mica, president and CEO of the Credit Union National Association (CUNA). "Chairman Oxley recognizes that removing unnecessary regulatory burdens and red tape enables credit unions to do an even better job serving their members."

Joining in sponsoring the award were the Blanchard Valley Farmers Cooperative from the Congressman Oxley's hometown of Findlay; the National Rural Electric Cooperative Association; the National Association of Federal Credit Unions; Ohio-based Nationwide Insurance; the Ohio Farm Bureau Federation; the Ohio Council of Cooperatives; and the Ohio Credit Union System.

Champion for innovative economic development

"Congresswoman Kaptur has been a steadfast proponent of a program that provides critical support to the nation's cooperative development centers," said Travis West, program coordinator for the Ohio Cooperative Development Center in Piketon, Ohio. "Through her ranking position on the House Agricultural Appropriations Subcommittee, Mrs. Kaptur has secured steady funding increases for the Rural Cooperative Development Grants program that provides funding for our center and others around the nation. With her help, the program has grown from just \$700,000 ten years ago to \$6.5 million in fiscal year 2003."

The 17 cooperative development centers -- members of Co-

operationWorks!—the national network of co-op developers—seek innovative cooperative solutions to the challenges facing farmers and others in rural America. The Ohio center is currently incorporating a pine producers marketing cooperative and assessing the feasibility of forming a cooperative within the

organic grain, meat, goat and hydroponic vegetable sectors.

Joining in sponsoring the award were national, regional and state-level co-op development groups including CooperationWorks!; Cooperative Life and the Cooperative Development Institute; The Kentucky Center for Cooperative Development; The Nebraska Cooperative Development Center; The Northwest Cooperative Development Center; The Rocky Mountain Farmers Union Cooperative Development Center; The South Dakota Value-Added Agriculture Center; Winrock International and the Arkansas Rural Enterprise Center. Together, the centers have helped to develop more than 100 new businesses owned and controlled by more than 27,000 members, and have created more than 1,700 new jobs in rural areas. NCBA is a national partner in CooperationWorks! and played a primary role in creating the network and securing legislation that authorized the Rural Cooperative Development Grants program.

(From L to R) Bill Donovan, Sr., National Association of Federal Credit Unions; Congressman Mike Oxley (R-Ohio); Paul Hazen, National Cooperative Business Association; Chuck Snyder, National Cooperative Business Association; John Florian, Ohio Credit Union League.



Congresswoman Marcy Kaptur (D-Ohio) receives her award from Travis West, coordinator of the Ohio Cooperative Development Center.

Editor's Note: The National Cooperative Business Association, based in Washington, D.C., is the lead national membership association that represents cooperatives across all sectors of the economy, including agriculture, food retailing, childcare, credit unions, housing, healthcare, energy, telecommunications and others. There are 48,000 cooperatives in the U.S. with 120 million members. OAW

How Can We Humanize Globalization?

William Greider

Editor's Note: Keynote address to the Capital Ownership Group Conference at Washington, D.C., October 9th, 2002.

I know a lot of you here today and I recognize that a good deal of what I have to say, you understood years ago. So, forgive me, but I want to walk through some of what I've learned and begin by saying that my book, *One World, Ready or Not*, made me into the Chicken Little of globalization. I was widely ridiculed by learned professors of economics and other disciplines.

Basically, I was arguing that the global system is headed toward some kind of crisis unless it changes. That argument was based on old-fashioned analysis of production, supply and overcapacity that economists don't spend much time with any more.

Let me give you a little bit of what I wrote in 1997.

"Unless the fundamentals of capitalist enterprise have somehow been repealed, the system cannot continue on its present trajectory, not without sooner or later facing a substantial, perhaps sudden, adjustment in expectations in returns. To put it crudely, capital is being invested in new factories to make more things when the market is already struggling with a mounting shortage of buyers. One way or another, losses will multiply for firms, nations, global investors. But when? When the realization takes hold that the expected returns from these new productive investments are grossly over-valued against the actual market prospects. When the recognition takes hold, it may induce a panicky rush to prudence."

I was trying to be a little droll, but that's not a bad description of where we are now. The financial bubble that we experienced in the United States was worldwide. I don't want to dwell on this, but I think we are in a very perilous moment. It's not going to hit with a thunder clap, but the fundamentals are in place, flirting with the full catastrophe of worldwide deflation which, when it happened 70 years ago, literally collapsed the global trading system.

I'll just be very blunt about this. The Federal Reserve needs to induce inflation. The federal government needs to run large and purposeful deficits, targeted at stimulating the economy. The government may also have to directly help corporations and households liquidate debt. Maybe I'm overstating the situation, but wise heads in finance are saying pretty much the same thing.

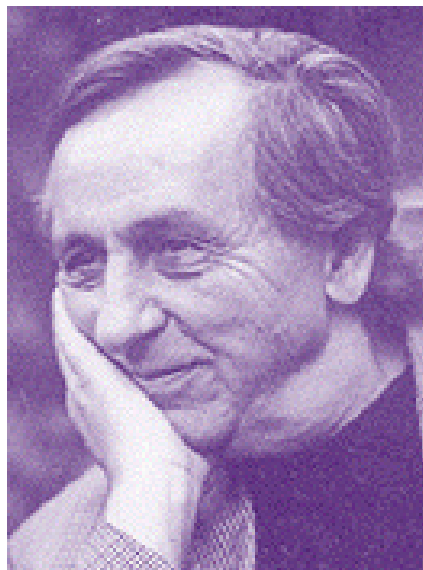
If we get past this moment without great wreckage, then I think we have a great opening. People will be able to see that the market fundamentalism of the last 20+ years not only was wrong, but that it's breaking down and there are other ways to think about the economy. It's a time when we really need to be in the legisla-

tive halls to put these issues into American politics. Here's an example. The United States still has the sovereign power to legislate for its own multi-national corporations. Some people will scream and holler "that's a WTO question and you can't do that," but the last time I looked at the Constitution, the government still had that power. The politics are horrendously difficult, but as an environmentalist friend told me once, "You're never going to win a fight until you start a fight."

The sweatshops are the clearest, most obvious place to begin. Some of my friends would simply ban imports that originate in unsafe and despicable conditions. A more moderate approach would be to lay down some rules for the multinationals on labor conditions, requiring reporting to the public, not just here but in the places where they are running factories.

Right-to-know laws that required companies to report toxic releases had a powerful regulatory effect because local communities, armed with information, went after the companies and the regulatory agencies that were ignoring problems.

This conference has the potential to go beyond that -- to make organic changes in how capitalism functions globally and at home.



Does capitalism need fixing?

In gathering material for my new book, I went back to earlier periods, before the Cold War, even well into the 19th Century and before. I read from the Social Gospel movement of the 1920s and 30s -- mostly Protestant theologians deeply offended by the way U.S. capitalism was functioning. One of those conservatives was a Swiss reform minister -- the Reverend Emil Brunner. This is what he said about capitalism:

"The system is contrary to the spirit of [Christian] service. It is debased and irresponsible. Indeed, we may go further and say it is irresponsibility developed into a system."

That stuck in my thinking, and I realized it's true today: irresponsibility developed into a system. The multi-national corporation is irresponsible to employees and to society. So are global investors moving in and out of economies through the financial markets. But so are consumers. We are implicated in the cruelties toward, even deaths of, workers because we buy what they make. It's at our doorstep, and it doesn't take a highly refined sense of morality to understand that we have the power to stop it.

The workers are irresponsible because they are prohibited from taking responsibility, from participating in the decision making. Indeed, in most work places, they are treated as inter-

changeable – commodities, inputs, factors of production in the work of the firm. Managers are irresponsible because they're trapped in the same system as the workers. So I think the great organizing idea of this conference is to say that you can't have a responsible society unless you make workers owners of the capitalist enterprise. There are many ways to do that, but the essence of it I think we all understand. This is a very old idea that came up early in the history of organized labor. At one time, it was even advanced by the progressive leaders of business.

Owen D. Young was a co-CEO of General Electric Company in the 20's and 30's when GE was one of the enlightened and progressive reforming corporations. He said,

“Perhaps some day we may be able to organize the human beings in a particular undertaking, even in a corporation so that they truly will be the employer buying capital as a commodity in the market. It will be necessary for them to provide an adequate guarantee fund in order to buy the capital at all. If that is realized, the human beings will be entitled to all the profits over the cost of capital. I hope that day may come when the great business organizations will truly belong to the men who are giving their lives and their efforts to them. I care not in what capacity.”

General Electric did not go down that road. They are now the model of the opposite. This idea that workers should have participation, influence and voice, whether through stock shares or co-operatives, is really the road not taken by history. And I think our challenge is to revive and popularize it, and to make it real again for people. Marxism didn't really deliver on it. Ownership belonged to the state and was controlled by the state, and the state treated the workers in much the same way that capitalism did.

Our vision is larger. It's a human vision, and it starts with this belief: people are capable everywhere in the world. If they do the work of modern economic life, then they should share fully in the rewards and the responsibilities of governance of their workplace.

Broadening ownership as the central reform

The Cold War is over, and employee ownership is functioning successfully here and elsewhere in the world. It's not just an airy fairy dream. We have Mondragon. We have 8 or 10 million American worker owners in 11,000 employee-owned companies. We have thousands of cooperatives worldwide, plus professional partnerships and other forms of employee ownership, even though many fall well short of qualifying as fully democratic firms.

This is really hard to do well. It's hard for management, and it's hard for workers, because in addition to changing the power relationships within the firm, the employees have to change themselves. Some people are ready for change, and they take the lead and make it work. They help the others come along. And some people, bless them, will never get it. But with experience, many do.

That process of teaching yourself that you're larger than you thought you were, or that your life has more possibility to it than you realized, is probably the greatest human experience available.

This idea really has no fixed ideology. Depending on how you explain it, people will think you're a dangerous “Lefty,” or they will think you're a hard-headed business manager, and, actually,

you may be both. We need to get the humanist-populist-capitalist business guys with the labor folks and the social activists and church people and the smart economists, and build a network that travels.

The good news is that this idea is alive in the rest of the world. I saw employee-owned companies in Poland struggling to survive against shock therapy and other US introduced remedies. China has been exploring the idea, and South Korea and South Africa. It's a portable idea, and ultimately that can make a huge difference in the governance of countries as well as the global system.

You are pioneers. Most people don't understand capitalism very well, but even if they do, they don't grasp that this is possible and actually exists and is functioning successfully in many settings. You have a big educational chore.

Arguments for broadening ownership

I see three distinctive arguments for ownership.

The first one is the natural-rights argument from David Ellerman. Essentially, it says, workers must “own their own work” as a natural right of their human existence. Work involves inalienable qualities of self, including personal responsibility for one's actions. In the present employment system, workers typically are

Our vision is larger. It's a human vision, and it starts with this belief: people are capable everywhere in the world.

prohibited from participating in work decisions that affect their lives. We can see this easily enough in sweatshops, but even some very advanced work places essentially do the same thing. I had a conversation with a line worker at the Toyota factory in Georgetown, Kentucky, probably the most efficient auto assembly plant in North America. He talked about the grinding, dangerous, cruel “sweatshop” circumstances of keeping up with the line. He talked about the repetition of severe injuries and felt personally guilty because he was a “team leader.” It was quite chilling and surprising to me.

If you step back further, you see that professionals, engineers, doctors, skilled professionals and middle managers have also been commodified. Elaine Bernard, who runs the Labor Studies Program at Harvard, said it powerfully:

“As power is presently distributed, workplaces are factories of authoritarianism polluting our democracy. Citizens cannot spend eight hours a day obeying orders and being shut out of important decisions affecting them, and then be expected to engage in a robust, critical dialogue about the structure of our society. Indeed, in the latter part of the twentieth century, instead of the workplace becoming more democratic, the hierarchal corporate workplace model is coming to dominate the rest of society.”

People are more or less compelled to accept ways of making a living that reduce the quality of their own being. The fact that people have accepted the “master-servant” relationship in the

workplace does not make it legitimate. In the 19th century, people commonly referred to the system as “wage slavery.”

Prominent economists explain that workers are not slaves who may be bought and sold, but only rented and hired. Whatever the law claims, this is still a lie. Most employers treat workers as property. It is a violation of natural rights.

We all recognize the truth of this. Yet capitalism and the modern employment system deny it. So does law and all the economic institutions and government agencies. It's not going to be an easy task to persuade them otherwise, but it's essential to the potential for human existence that we try. The lie about human nature and our inherent rights is convenient, of course, for investors and insiders who capture all the surplus value. Ellerman wrote, “The Capitalist, like the slave owner, has used a legalized fraud which pretends the worker is an instrument to arrive at the position of being the owner of both instruments and production [labor and capital] so that he can then make a legally defensible claim on the positive product [the profit and appreciating value of the enterprise].”

I've dwelt on this deeper humanist argument for employee ownership because I think it is probably the most resonant for the world. It speaks to the fundamental power relationships in capitalism and their consequences for human existence.

The logical conclusion is that, to be fully human and free, workers must own their own work in a democratic firm. As Owen Young envisioned 80 years ago, “labor hires the capital, instead of capital hiring labor.”

The idea of sharing the returns among all of the company's participants brings us to the arguments of Louis Kelso.

I had the honor, and dizzying experience, of meeting Louis Kelso 25 years ago. He spent several long, brain-numbing sessions trying to get me to understand how the economy really works. He offered a very different perspective and I was so uneducated. I am deeply indebted to the strength of his intellect as well as his ideas.

Louis Kelso was an investment banker who saw that American capitalism, because it displaced or marginalized labor, would face a crisis of demand and huge social distress. That meant more pressure on the welfare state to clean up after capitalism. Since Kelso was really a Libertarian at heart and loathed government intrusions in the free workings of the market place, he could see that keeping government out of the economy was impossible to achieve without democratized capitalism -- broad ownership of the income-producing capital assets, stock shares.

Kelso's solution: Everyone in the firm must be an owner as well as a worker -- so that everyone would enjoy two streams of income, one from wages and one from capital. The two together would insure sufficient demand to sustain the economy. Out of that insight, Kelso invented the ESOP trust mechanism that we're all familiar with -- more or less a democratized version of the leveraged buyout that enables employees to gain ownership of their company. His original thinking and his invention of the trust arrangement re-opened the door of history for a substantial revival of worker ownership in this country. That is an extraordinary con-

tribution.

The third argument for broader ownership is more familiar. “When employees are owners, the company is more efficient, more productive, more profitable.” A growing body of research confirms this assertion. ESOP companies can do better as companies. Call it the argument for the “bottom line.”

Why should anyone be surprised? Of course, people are likely to act more effectively at work when they have a real stake in the outcome. Of course, people take more responsibility for their actions, and offer innovative ideas, when they are treated with respect and possess real voice and influence.

Reinventing economic life generally happens when you have new participants whose values reshape the enterprise in new ways. What needs to be candidly accepted is that workers are not angels. They are fallible. But if you believe in democracy, that means you will get, on the whole, better, wiser decisions.

And if the manager is democratically responsible to the people he is supervising, you will get a different kind of supervision. If worker ownership and democratic relations within the firms predominated now, we could not possibly have had the excesses and extremes of the last 20 years. I can't imagine employees allowing such greedheads to run things and to execute such brutal deviations from human values. While I accept that workers sometimes get things wrong, can anybody imagine that the workers would have done any worse by their companies than some of these egotistical CEOs we've been reading about?

Let me close with a concrete example, one of the reasons I am fundamentally optimistic about our prospects. Joe Cabral is CEO of Chatsworth Products, Inc. in the San Fernando Valley of California. He was trained as an ac-

countant, not as a political philosopher.

Chatsworth was created when Harris Electronics, in the big corporation's typical re-strategizing exercise, came across their little subsidiary that made hardware for the high tech industry -- metal frames and casing for stacking computers. It was profitable, but it didn't fit the company's strategy. It was low-tech metal bending and Harris wanted to be seen as high-tech, so the strategists said, “Dump it, get it off the balance sheet.”

Joe Cabral and his fellow managers were outraged. “We have a good operation here. We're making money. We know how to run it.” Harris found no buyers because Chatsworth was too trivial to interest major electronics companies, and Harris was ready to close it and sell off the machinery for pennies on the dollar. Cabral and the employees pooled personal savings, hustled around for capital, and got turned down everywhere. They finally came to the National Cooperative Bank in Washington and got the loan, bought the company and have been running profitably ever since.

Joseph Cabral is one of the great evangelists for employee ownership. He's not a mushy, squishy reporter or academic philosopher. He talks from the perspective of a hard-headed manager.

He says, “Everybody is sharing in the wealth they're creating. That's our fundamental philosophy: we're all in this together.

That process of teaching yourself that you're larger than you thought you were, or that your life has more possibility to it than you realized, is probably the greatest human experience available.

We're not just doing this for outside shareholder; we're doing it 'cause we are the shareholders. In most companies, you want to do well in order to have a job or career advancement, but you're basically in it for the paycheck. In CPI, we created ownership, and people are totally aligned with the success of the company."

They are going through the storm of the meltdown in Silicon Valley -- their best customers are all hurting -- and so they've had to lay off people for the first time, after struggling to avoid it. But people walked out with good checks -- six figure checks. The value of Chatsworth shares rose in ten years from \$4 to \$121.

"Okay, it's good for you guys," I said, "but why does ownership matter for the country?" And he said, "The way our society has rolled out, the wealth created through capitalism ends up in too few hands. The entrepreneur who is fortunate enough to be there at the start ends up receiving a disproportionate amount of the wealth, and all of the working folks who enabled that success share in little of that wealth. So we end up in a society with a pyramid structure where the top 1% owns 90% or something like that. It's so disproportionate that in my heart, I'd say that kind of ownership structure is not sustainable. At some point, capitalism is going to go bust because we haven't done right for the folks who have actually created the wealth."

I pushed him a little further: "Why exactly does this happen?" And Joe said, "Well, truthfully, in my mind, it's greed." He got really rolling then. "It's about power. The guys who have the power and money don't want to share it. We've got to take them on." That is hard politics, but one can envision a very interesting alliance -- bringing together people who used to be on opposite sides and working for mutual objectives.

I haven't talked that much about the rest of the world, but I don't think it takes a lot of imagination to appreciate why this is so relevant to other countries, especially developing countries that are industrializing for the first time. I think these three different viewpoints explain why the idea attracts everybody from "humanist-populist-capitalists" to labor leaders to social activists to businessmen who just think this is good business.

The poorer countries of the world, ironically, may have an opening and an advantage because they're not dealing with a deeply entrenched and established system. They're starting from scratch, usually in hostile political circumstances, trying to invent capitalism from the ground up. I think at a minimum, anything that allows people in those countries, including very poor people, to see the practice of workers exercising voice in the workplace -- standing up and expressing their views as co-owners -- is a powerful step toward democracy and maybe a necessary building block.

This country of ours preaches relentlessly to the rest of the world to copy our democracy, while America itself does not have an authentic, functioning democracy. We have stopped moving upward, maybe even have fallen a few steps backward. People are not represented authentically in the governing system, and they know it. That's why a lot of them don't bother. Ownership is a crucial ingredient for helping Americans to relearn what it means to act as a citizen capable of self-direction and fully participating in the decisions that govern their lives. That's what democracy is. It's still a radical idea, isn't it? I believe that the road to a genuine democracy begins at work. **OAW**

Employee Ownership Added to OSU Curriculum

Employee ownership is the newest topic added to the course, *Introduction to Cooperatives* at the Ohio State University's Agricultural Technical Institute in Wooster. This is the first year that the focus on cooperatives has extended to ESOPs and worker cooperatives. Bob Cohen, the course instructor since 1990, uses "What is an ESOP," a piece developed by OEOC, as part of the course materials.

The course is a ten-week survey of the history, principles, and operations of cooperatives. The students are in degree programs related to agriculture, and the focus is on rural and agricultural cooperatives. But all types of cooperatives are covered, including insurance and credit unions. For some of the students, it is a required course in the agri-business program, but for most, it is an elective. The students and their advisors under-

stand that in the field of agriculture it is likely that they will end up being a member of a cooperative, working for a cooperative, or competing against a cooperative. For this reason, OSU has offered the course since 1979.

It has always featured a number of guest speakers from cooperatives and cooperative associations throughout Ohio. A definite effort is made to reflect the breadth of cooperative enterprises. Among the guest speakers this year was Josh Brown, president of Casa Nueva Workers Cooperative in Athens, Ohio. (Casa Nueva was featured in the winter 2003 edition of *Owners at Work*.) Brown retold the story of the restaurant's transformation into a workers' cooperative, and discussed the dynamics of an employee owned business.

The course will be next offered as Business Technology 248 in the Winter Term of 2004. **OAW**



Josh Brown of Casa Nueva addresses students in the "Introduction to Cooperatives" course at OSU's Agricultural Technical Institute in Wooster, Ohio.

Investing Workers' Capital for Ohio's Workers and Pensioners

American workers' pension funds own nearly half of all publicly-traded stocks in the United States and have assets of several trillion dollars. That's a lot of money. Is it being invested in the best interest of current workers and pensioners? The recent track record would indicate that far too often, it is not. Workers' pension funds could be managed to support employment for current workers and improve the communities where workers and pensioners live without reducing retirement security.

Just a little over a year ago, with funding from the Gund Foundation and the Northeast Ohio Research Consortium of the Ohio Urban University Program, the Ohio Employee Ownership Center, in conjunction with the Cleveland AFL-CIO and the United Labor Agency, conducted a four-session seminar series on the issue of labor's capital and labor-sponsored investment funds. The series was featured in the Summer 2002 *Owners At Work*, and the articles are available on the OEOC's web site at www.kent.edu/oec.

This spring that effort was expanded, following up on the initiative of **Bill Burga**, Ohio AFL-CIO President, as the OEOC joined with the Ohio AFL-CIO in co-sponsoring the first Ohio Working Capital Conference on May 19-20 at the Akron/Fairlawn Hilton to examine how workers' pension fund monies are being invested and to explore alternative investment strategies. The Ohio AFL-CIO is the first state labor federation to hold a statewide meeting focusing on the potential power of labor's pension funds to anchor capital, create jobs locally and provide needed infrastructure.

The conference opened with welcoming remarks to about 60 participants from **Burga**; **John Logue**, Director of the Ohio Employee Ownership Center at Kent State University; and **Daryl Revoldt**, Governor Taft's Economic Development Representative for Region 9.

The main theme of the conference revolved around the fact that much of American employees' pension money today is invested in ways that encourage downsizing, increase job turnover, move jobs overseas and deny investment funds to promising small and medium U.S. enterprises, making it less likely that workers will keep their jobs until they qualify for their pensions.

The conference featured speeches from two national labor union leaders who have been in the forefront of national efforts to develop better alternatives for investing workers' pension fund monies, **AFL-CIO Secretary-Treasurer Richard Trumka** and **United Steelworkers President Leo Gerard**. Although a last minute conflict prevented Trumka from attend-

ing, Burga read his remarks to the group.

Trumka's message to the participants was centered on the need for labor to more fully interject itself into pension fund investment decisions, especially since "We have just been through the most extraordinary market failure---\$7 trillion evaporated from equity markets in three years, hundreds of billions of dollars in real people's savings were invested in a variety of hot companies that were suddenly cold as the grave." Trumka estimated that "WorldCom and Enron alone took over \$35 billion out of union members' pension funds. And everywhere you look in our financial system, you see conflicts of interest out of control."

Trumka believes corporate America needs to return to the basics---"sane executive pay tied to real long-term performance, independent auditors and directors, no shenanigans like offshore reincorporations, and no business strategies that rely on lawbreaking." He stressed the need to inject democracy into corporate board elections. "We need reform to protect workers' retirement security, but we also need it to make sure that our economic system works to create jobs and prosperity for all Americans and not just opportunities for a privileged few to exploit the rest of us."

The AFL-CIO has developed a Capital Stewardship Program to work toward reforming the system by educating pension fund trustees about their rights and obligations as trustees. Too often, trustees simply follow the advice of investment professionals because they are concerned about violating their fiduciary responsibilities. Since hundreds of billions of dollars of workers' pension fund monies have been lost in the last few years by investment professionals, it is hard to imagine elected worker trustees doing any worse.

With Trumka's comments setting the stage, participants were given some "words of wisdom" and some new looks at pension fund investing alternatives from experts in the field with plenty of opportunity to ask questions and discuss the issues. The topic of *Capital Gaps in Ohio Companies* was discussed by **John Logue**, OEOC; **Gerry Meyer**, **Greater Cleveland Growth Association**; and **Venita Fields**, **Smith Whiley & Company**. Small and medium-sized companies, the companies that actually create jobs in America, too often have difficulty getting financing for expansion and growth. Well-researched pension fund investments can help solve their capital gap problem.

The panel on *Economically Targeted Investing* consisted of **Joel Steiker**, **Murex Investments**; **Charles Mockbee**, **Cam, Inc.** and **Steve Krawick**, **AmeriServ Financial**. Economically



Leo Gerard, USWA President and Keynote Speaker

targeted investing is aimed at earning a responsible rate of return for the pension beneficiaries while returning collateral benefits like more local investment, good jobs for current workers and better housing. This can be reported as a "double bottom line" for judging fund performance. Murex and AmeriServ Financial are both double bottom line investment funds. Cam, Inc. is an Ohio construction company that has done a lot of work with the construction trades unions and their funds.

Pat Flanagan, Landmark Fund; Steve Kasarnich, United Brotherhood of Carpenters; and Rob Hilliard, Manitoba Federation of Labor and the Crocus Fund told the participants about their *Labor-Sponsored Investment Funds*. In the U.S., the Building Trades unions have been involved since 1964 in financing housing and business construction projects and securing union jobs in the process. The Canadian unions have pioneered a system of labor-sponsored equity funds including the Crocus Fund, the largest venture capital fund in Manitoba. The Landmark Growth Capital Fund is a recent creation of Heartland Labor Capital Network, an offspring of the United Steelworkers and the Steel Valley Authority. It invests in "high road" manufacturing and growth industries.

Expanding the Role of Trustees in Pension Fund Investing was addressed by **Tom Croft, Steel Valley Authority; Beatrice Newbury, AFL-CIO Center for Working Capital; and McCullough Williams III, Greentree Brokerage Services, Inc.** The panelists concentrated on the need to educate trustees on their rights and their responsibilities, emphasizing

the AFL-CIO Center for Working Capital's Capital Stewardship program that provides trustees with educational opportunities not available elsewhere.

Wrapping up the Conference, **Leo Gerard** focused on making sure that everyone had the proper understanding of just what constitutes a pension: a pension is "workers' deferred wages held in the form of future benefits called pensions." Gerard also offered a history lesson. "We made a very, very tough decision fifty years ago or more when we decided as a labor movement ... to design a system where we would defer our wages while we were working so that we could have something for the time we are not. ... Pension funds have become the largest single source of capital in North America, possibly the largest single source of capital in the industrialized world. And it is nothing more than workers' deferred wages." But these deferred wages have not been invested with the best interests of the pension fund participants in mind.

Out of the conference came an increased awareness of what is involved in pension fund investing and what the conference participants could do to help improve it. But perhaps the most important thing to come out of the conference was the suggestion by Bill Burga that planning begin for a second Ohio Working Capital Conference with a concentration on involving additional trustees from Ohio's state retirement pension funds and the union-managed Taft-Hartley funds.

Many of the conference presentations can be found on the OEOC's web site at www.kent.edu/oeoc. **OAW**

Lessons for Employee-Owned Companies

Rosalie Catalano, YSI, Incorporated

Remarks from the 17th Annual Ohio Employee Ownership Conference, April 11th, 2003

With the war in Iraq dominating the news and uppermost on our minds, I'd like to ask your indulgence in considering an analogy--how is an employee-owned company like the U.S. military?

This isn't going to be a political statement, but I would draw your attention to several admirable traits shared by American military men and women and our employee owners.

First—let's take a look at being emotionally engaged.

Employee owners, like our US soldiers, are involved in the process, not just putting in the hours. They believe in the mission, relate to it, and see their role in its accomplishment. They are engaged.

YSI employees are connected to our mission defined by our four core values—employee ownership, innovation, community, and ecological sustainability. Our tag line "Who's Minding the Planet?" represents that our employees, customers, and business partners join to produce and use products and services intended to build an ecologically sustainable habitat. Our employees believe in our core values. They are engaged in the business. And studies show that companies with strong core values have more satisfied and productive workforces.

I have a rather unusual job title—VP Stewardship & Human Development. Our recently retired CEO felt very strongly that

the word "stewardship" be part of my title. His reasoning was that my team and I are responsible for our two most valuable intangible assets – brand and people. Our core values give meaning to our brand—I guess you could say they are the foundation on which our brand was built.

Our core values means that we follow a process for transparency and disclosure appropriate for the company and its industry. Here's an example. Without going into much detail, we have been dealing with a groundwater contamination issue on our property in Yellow Springs for the past two years. For a company whose primary business is water quality equipment, you can imagine how devastating it was for us. When we learned that the Ohio EPA planned to do some testing on and around our site, we hired environmental consultants, confirmed the contamination, and went public immediately, starting with an open community meeting. We continued to hold regular meetings, post all of our findings and background materials on our web site, and we put the information in two public locations in the community for ease of accessibility. We have encouraged the participation of community members, and I am pleased that we have maintained the confidence of most. We will be paying a fine to the state, but we are paying it gladly and we are working to completely remediate the property according to Ohio EPA guidelines.

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Employee Ownership: Renewing the Vision

The 2003 Ohio Employee Ownership Conference

Over 300 people attended the 17th Annual Ohio Employee Ownership Conference April 11th at the Hilton in Fairlawn, Ohio. After welcoming remarks from **Daryl Revoldt**, Economic Development Representative for Region 9, **Bryan Williams**, State Representative, 41st Ohio House District, and **John Logue**, OEOC Director, participants heard from a plenary panel that reminded them of the value and benefits of employee ownership at a time of major challenges in corporate America.

Richard Abbott, Chairman and founder of **ACRT, Inc.**, Cuyahoga Falls, Ohio, a 100% ESOP serving the urban forestry and utility sectors, talked about how the ownership culture that developed among employees was instrumental in allowing ACRT to survive the bankruptcy of its largest customer in 2001 and go on to have a record year. **Rosalie Catalano**, Vice President of Stewardship and Human Development for **YSI Inc.**, Yellow Springs, Ohio, a producer of sensor technologies for the biosystems market, noted that YSI makes a "strong commitment to provide training, challenging opportunities and work satisfaction for current and future employees; to adequately develop the next generation of leaders." **2001 Employee Owner of the Year Keith Robertson** of **ComSonics, Inc.**, a 100% employee-owned producer of cable TV test equipment in Harrisonburg, Virginia, looked at the larger picture, noting that "credibility, trust, honesty and a belief in the basic philosophy of employee ownership are essential for renewing the ESOP spirit."

The morning round of panel discussions consisted of six concurrent panels. ESOP companies participated in three of these. The panel on *ESOPs Rising to the Challenges in Tough Times* featured **Pat Finnegan**, **Fastener Industries**; **Diane Bartlett**, **ACRT**; and **Dave Scott**, **Dimco-Gray**. Folks attending the panel discussion on *ESOP Committee Success Stories*, moderated by **Mark Mattingly**, **Bollin Label Systems**, learned how committees deliver effective leadership from **Debi Kozak**, **Joseph Industries**; **Mike Prokop**, **the Chilcote Company**; and **Tom Smith** and **Joel Greear**, **Bardons & Oliver**. The panel on *Going From Minority to Majority ESOP Ownership: What Does It Mean?* heard from **Mike Merriman**, **GBS Corporation** and **Ed Schmitt**, **Riesbeck Food Markets**.

The lunch featured the presentation of the **2003 Ohio Employee Ownership Awards** to Ohio companies and individuals who demonstrated exceptional leadership in contributing to employee ownership. **R.J. Martin Electrical Contracting**, received the *Getting Your ESOP Off to a Good Start* award. R.J. Martin, based in Bedford Heights, was founded by **Bob Martin** in 1986. In 1996, Martin promised employees he would pay them back if the company's success enabled him to meet his personal goals. While the employees might have forgotten about the promise, Bob Martin did not, and in 2002 he began to allocate a 49% ownership share to his employees over the next five years.

YSI, Inc. was honored on their *ESOP's 20th Anniversary*. The 300 employee owners of YSI have 45% ownership of the company headquartered in Yellow Springs, Ohio with locations in Beavercreek, Ohio; Springfield, New Jersey; Marion, Massachusetts; and San Diego, California. Employee ownership is one of four core company values, along with community, innovation and ecological sustainability. Although YSI has changed over the years, it con-



Conference highlights: (top Left, clockwise) Roger Elder (left) accepts his award for Lifetime Service with Republic Storage President Jim Anderson; Keynote speaker Keith Robertson (left) of ComSonics, Inc., OEOC staffer Bill McIntyre, Loren Garruto of Valuometrics, and OEOC staffer Steve Clem share a moment at the Company Showcase reception. Valuometrics was the sponsor of the reception; (bottom right) Employee owners from YSI, Inc. celebrate the 20th Anniversary of their ESOP. (l to r) Rosalie Catalano, Lou Trippel, Susan Miller, Diana Tillman, and Mary Schaeffer; Catherine Dillard (l) and Sister Mary Eileen Boyle of Esperanza Threads, a start-up women's sewing cooperative in Cleveland, show off their wares at the Company Showcase Reception; (center) New, and very proud, employee owners from RJ Martin Electrical Contracting celebrate getting their ESOP off to a good start. (l to r) Mike Tumino, Amanda Ziemak, Donald Baker, Lolly Mondak, Randy Vincent, and Bob Martin.

tinues to practice open communication and foster a commitment to learning and a team approach.

The *2003 Lifetime of Service to Employee Ownership* award went to **Roger Elder** for many years of leadership in employee ownership and labor-management cooperation. In 1986, as an officer in Steelworkers Local 2345 at Republic Storage Systems in Canton, he helped lead their successful buyout from LTV. Elder served several terms as Local Union President and was a member of Republic Storage Systems board of directors for 9 years. He supported ESOPs nationally as a board member of the Worker Ownership Institute and locally through the Stark County Labor-Management Cooperation Program. Elder says, "a successful ESOP is one that builds employee involvement throughout the company. Employees need to believe they are more than just people to run a job." He recently retired as Director of Human Resources at Republic, but plans to continue to be involved with employee ownership and labor-management participation.

The rest of the day featured panel discussions ranging from ESOP technical issues to running effective meetings. *Employee Ownership: Renewing the Vision*, carrying through the Conference theme, explored new mechanisms to grow employee ownership and positively impact communities. It featured **Jacob Gray**, **The Equity Project**; **Lance Haver**, **Phoenix Foods**; **Leslie Schaller**, **Casa Nueva**; and **Deb Olson**, **Capital Ownership Group**. Educating owners was the topic for the panel on *Creative Approaches with ESOP Education*. Moderated by **Marv Hartsfield**, **Concrete Technology Inc.**, this entertaining panel featured the **ESOP Communication Committee**, **ACRT**; **Kathy Kalal** and **Bill Blystone**, **Albums, Inc.**; **Beverly Kossum**, **The HDH Group**; and **Marge Mellinger**, **Susan Norris** and **Ava Raybould**, **Delta Systems**.

Folks attending the panel on *Employee Buyout Strategies* learned what it takes to pursue a buyout in a shutdown situation from **Bob Boak**, **Cold Metal Products** and **Steelworkers Local 3047**, and **Dave McCune**, **Massillon Stainless** and **Steelworkers Local 1124**. **Petee Talley**, Secretary-Treasurer of the Ohio AFL-CIO, moderated this panel. The relationship between cooperatives and ESOPs and how they can work together was explored by the panel on *Cooperatives and Employee Ownership*. Moderated by **Tom McNutt**, **Ohio Council of Cooperatives**, this panel was made up of **Sister Mary Eileen Boyle**, **Esperanza Threads**; **Bob Cohen**, **ACDI VOCA** and **Don Collyard**, **MainStreet Cooperative**. Three ESOP companies walked participants through basic elements that make their company's meetings both productive and participatory in the panel on *Effective Company Meetings*. Presenters were **Clarence Jackson**, **Republic Storage Systems**; **Wayne Koepke**, **Voto Manufacturers Sales**; and **Robert Taylor**, **Falcon Industries**. **Mary Pat Salomone**, **Marine Mechanical Corporation** moderated this panel.

At the end of the day, our position as the best one-day ESOP conference in the country had been secured once again! We thank everyone who made the Conference the largest employee ownership event in the region and we look forward to seeing everyone again at the **18th Annual Ohio Employee Ownership Conference** on **Friday, April 16, 2004**.

(Continued from page 11)

Our core value of employee ownership means that trust and ethics are a board-level corporate governance issue. As a private company we are not compelled to have our executives attest to the accuracy of our financial statements, but our 2002 annual report to employee owners and other stakeholders included a cover letter signed by our just-retired CEO who was on the watch for 2002, our new CEO, and our CFO attesting to the full disclosure and accuracy of our financial statements.

Second, let's consider the characteristic of pride.

American soldiers are proud. We want our employee owners to feel proud of representing YSI and believe that we are the best company we possibly can be.

YSI has a well-respected 53-year history and an established track record of success of which our employee owners can be proud. We are celebrating our twentieth anniversary as an employee-owned company. Throughout that time, YSI has produced a legacy of quality products, from assisting in diabetes research to monitoring the temperature of space vehicles.

We are also proud of our strong history of sound financial performance. We had several long-tenured employee owners who retired last year and walked away with very good nest eggs.

Last fall we conducted an employee satisfaction survey. The number one most favorably answered statement was "I value employee ownership."

Cecilia Fernandes, an accountant at our Massachusetts subsidiary, an employee owner with YSI for five years, said that employee ownership means to her, "Pride: A sense of well-being, knowing that my ideas and suggestions are encouraged, making me feel part of the company's success."

Let's take a look at loyalty or what we might call commitment

Soldiers are there throughout good times and bad times. They defend and support our country in times of peace, war, and terrorism. Employee owners don't jump ship when times are bad, such as a bad economy or a drop in stock price. They hang in and help the company restore acceptable performance. The company benefits from our employee owners' collective years of experience. Just as the military has a high reenlistment rate, we have low turnover which minimizes training costs.

There have been a few times in YSI's history when employees were asked to take pay cuts, endure pay freezes, or saw their ESOP balances drop in value after a particularly tough year. Through it all, most stayed and rode it out, continuing to dedicate their experience and support to the financial recovery of YSI.

When Last fall's employee satisfaction survey showed that YSI employees feel emotionally safe--safe to admit when a mistake is made, safe to ask questions, and safe to offer suggestions.

Before we leave loyalty or commitment, let me share a quote from the "Owner-on-the-Street" column in our employee ownership newsletter. This one is from Kaye Shidemantle, a buyer who has been with YSI for 25 years. She said,

"Employee ownership is my commitment to all YSI owners to perform my duties as Purchasing Agent in a manner that will create trusting relationships with internal customers as well as suppliers. Ultimately, it is striving to make YSI a profitable and successful company."

One last trait I'd like us to consider—competency.

We have a highly trained and capable military—most likely the best trained, best prepared, best equipped, and best managed military force in the world. Our employee owners are technically strong and they are familiar with the markets in which we sell and how our products are used. Similarly, they are interested in, and understand, our financial statements. They ask questions and receive answers.

We need to ensure that we can effectively compete with other employers in attracting the best and the brightest. The Department of Labor predicts that there will be a huge shortage—10 million people—of appropriately trained and talented workers to meet the needs of business by 2010. To meet that challenge, one of our key strategic initiatives is to become an employer of choice by 2005, because we can offer training and

development, challenging and rewarding work, opportunities for growth, and competitive compensation packages. People will pursue positions at YSI because they want to be a part of us, not just because they

need to work.

Finally, don't underestimate the importance of competent managers. Many recent articles and books, including one our new managers are reading entitled "First Break All the Rules" (by Marcus Buckingham and Curt Coffman), argue that the competency of managers can make a significant difference in whether or not organizations have satisfied and productive employees. One synopsis of the book states "The front-line manager is the key to attracting and retaining talented employees. No matter how generous its pay or renowned its training, the company that lacks great, front-line managers will bleed talent."

There are probably other characteristics or traits that we might think of that the US military and employee-owned companies have in common. I hope diversity is one of them. We are seeing many more female pilots and soldiers. Diligently hiring and developing talent regardless of gender, culture, race, and ethnicity opens up new options to solve the coming shortage of talent. I'll close with these words from Bob Kill, a software engineer with YSI for four and a half years, who works in a non-traditional manner from his home in Michigan.

"Employee ownership means to me that I have a stake in the company's profitability. I own a part of YSI so it is more than just a place to earn a paycheck. How well we do our jobs has a direct financial impact to us all as owners. I have always tried to do my best wherever I worked but the mind set is different here. There is a shared sense of responsibility here that was not present at other places that I have worked."

Thank you for allowing me to take some literary license in using the U.S. military and employee-owned companies as analogous and thank you for your kind attention this morning. **OAW**

Our core value of employee ownership means that trust and ethics are a board-level corporate governance issue.

Network News

Educating Your ESOP Committee

How do you move from the legal jargon and technical requirements of setting up an ESOP to building an ownership culture? Many employees and managers are unsure how to begin. One of the best ways is to establish an ESOP Communication Committee.

Here are some of the frequently-asked questions that were raised at recent forums of Ohio's Employee-Owned Network and at last year's Employee Owner Retreat in Chicago.

What do ESOP Communication Committees do?

ESOP committees are a link connecting ESOP participants and managers. Their purpose is to educate employees about their ESOP and their company. Often they organize activities and events that celebrate and communicate the company's vision of employee ownership and how the ESOP works. Successful committees funnel people's ideas into goals and activities which are doable and fun. Typical ESOP committees strive to build company pride; celebrate milestones and events; promote social relationships; improve company-wide communication; and prepare individual ESOP participants for vesting, diversification or retirement.

At Bardons and Oliver the committee organized a visit by folks from Power Transmission Technology, a more experienced ESOP firm, who shared their perspectives. Albums, Inc. sponsors ESOP Breakfasts for education and communication and a Diversity Luncheon to recognize employees' heritages and learn about each other. Ben Sarro of Acadian Ambulance said "our workforce is getting younger, so we shifted from talking about our ESOP as a retirement vehicle and focus more on the idea of wealth-building."

How do we get our ESOP Communication Committee started?

Most companies begin with a dialogue initiated by senior managers about the challenges of employee ownership. Open discussion often brings people together and out of the process management can identify interested people.

How should we select committee members?

Senior managers often tap a few people to launch the first ESOP committee. Later on committee members organize member recruitment and succession strategies. As Margaret Miller of Murray Insurance in Lancaster, PA, explained, "our first members were appointed, but within two years we elected representatives from each of our branch offices." Other firms call for volunteers with notices in the company newsletter, bulletin board or email.

At THT Presses in Dayton new members are rotated into the committee every six months for one-year overlapping terms, so that all 35 employees serve on the committee within a 5-year period. THT's goal is for all employees to become educated about ESOPs. Committee members participate in ESOP conferences and bring back new knowledge to share at monthly com-

pany-wide meetings.

What should management's role be on an ESOP Committee?

Managers provide oversight for an ESOP Committee. They define the playing field, set the boundaries, and communicate a vision of employee ownership that legitimizes the committee's mission. They allocate resources of time, space, and budget. Management at Albums Inc. provides the ESOP Committee with an \$8,000-\$10,000 annual budget. The committee proposes projects to management.

"Managers got the ball rolling," explained Bill McIntyre of the OEOC, who served on the ESOP Committee at ComSonics, "but, once started, the committee members set their own rules, which were much better."

What are the benefits of an ESOP Committee?

ESOP Committees are catalysts for building an ownership culture. They help develop a spirit of renewal and appreciation of co-workers, the company, and the ESOP by focusing on these three key elements for the success of an ESOP: employee education about the business and the ESOP, greater employee involvement in the company and the ESOP, and with greater knowledge and participation, increasing employees' trust and confidence in the company management and in the ESOP. **OAW**

Fall 2003 Training Workshops for ESOP Committees

Three Network-sponsored programs this fall, in both Kent and Dayton, will focus on the skills and tools needed for effective ESOP Communication Committee members.

ABCs of ESOPs: Successful ESOP Orientation

September 10, Dayton; September 24, Kent

An interactive session in which participants play The ESOP Game, learn how ESOPs work, and explore ways to educate employees about the ESOP.

ESOP Committee Skills for Effective Meetings

October 16, Dayton; October 23, Kent

A training session on the skills needed for committee effectiveness, including elements of effective meetings, facilitation skills, group processes, and techniques for leading discussion and project management.

Improving your Business Literacy

November 6, Kent and November 13, Dayton

Learn how to better understand your company's business financials and explore approaches for employee communication and education about the financial side of your business.

Network News

Middle Managers Drive ESOP Success

Setting up an ESOP can generate many new responsibilities for middle managers who struggle with the nitty-gritty of leading and managing employees who are now employee-owners with higher expectations for information and involvement on the business side of their work. Unfortunately middle managers are often ill-prepared to meet these expectations, lacking knowledge about how the ESOP works. When United Airlines hit a big bump in the road last year, one company spokesperson admitted that their failure to get middle managers on board with the ESOP became a major obstacle to their development into a successful employee-owned business.

Network member firms piloted an ESOP retreat for middle managers in February 2003 which focused on the managers' role in leading effective employee communication, education,

and employee participation. Retreat participants liked the good mix of people, the focus on concerns and successes, experiential learning, learning from each other, and the presentations on business financials. Form their suggestions, more time for open discussion time of participants' topics will be added to the next Retreat in September.

ESOP Retreat for Middle Managers
Thursday and Friday, September 18 - 19
in the Dayton/Fairborn area

For more information, call Karen Thomas or Bill McIntyre at 330-672-3028 or email oeoc@kent.edu. **OAW**

Fall 2003 Network Events

ABCs of ESOPs and Employee Orientation
Wednesday, September 10 Kent
Wednesday, September 24 Dayton

A highly interactive session in which participants play The ESOP Game, learn how ESOPs work, and explore ways to educate employees about the ESOP. This workshop is designed for new employees, ESOP communication committees and others responsible for ESOP communication.

CEO & CFO Networking Dinner
Tuesday, September 16, Firestone Country Club, Akron
Join this continuing series of informal get-together, hosted by Riley Lochridge and Steve Owen, ComDoc, Inc., to build stronger company-to-company relationships.

ESOP Retreat for Middle Managers
Thursday & Friday, September 18 - 19, SW Ohio
What every middle manager in an employee-owned company should know about ESOPs, how ESOPs work, communicating about the business, and promoting employee involvement. An interactive exploration of technical, leadership, motivation, and communication issues in ESOPs.

ESOP Committee Skills for Effective Meetings
Thursday, October 16 Dayton
Thursday, October 23 Kent
Explore the elements of effective meetings, basics of facilitation, effective group processes for leading discussions and project management. This workshop is for ESOP communication committees and others responsible for leading employee involvement and team efforts.

Improving your Business Literacy
Thursday, November 6, Kent
Thursday, November 13 Dayton

Come and explore the basics of understanding business financials and approaches for employee communication and education about your company's business performance. This workshop is for ESOP communication committees and others responsible for communicating business information and leading employee involvement and team efforts.

ESOP Fiduciary Training Workshop
Wednesday, December 3, Kent
This workshop explores the unique roles of ESOP in-house trustees and directors, and the nuts and bolts of ESOP administration committees. The session is for ESOP in-house trustees, ESOP administration committees, and Directors.

ESOP Administration Forum:
An Update on Tax, Legal and Administration Issues
Thursday, December 4, Kent
An update on relevant tax, legal, technical, administrative and fiduciary concerns. The session is for ESOP fiduciaries and those responsible for administration or oversight of the ESOP. Your technical questions and administrative concerns will be addressed through a roundtable format.

To Register for these programs:
call the OEOC at 330-672-3028
or email at oeoc@kent.edu

Network News

Network Members Obtain Big Savings

The affiliation agreement between the Ohio Employee Ownership Center and MainStreet Cooperative Group is saving money for members of Ohio's Employee-Owned Network. Three programs have been implemented to date, and the response from Network members has been very positive. Their costs by purchasing as a member of the Purchasing Co-op are lower than the costs they were paying as an individual company.

For example, for the programs rolled out thus far, here are typical savings:

DHL Overnight Delivery: \$6.05 for an overnight letter, as savings of over 50% from rates charged by competitors.

Summit Global Partners Insurance Programs: a savings of 18% on Network members total insurance costs, for those Members accepting bids from Summit.

Boise Office Solutions: On a market basket test of commonly purchased office supply items, Boise saved the OEOC an average of 27% versus the costs from our current supplier.

MainStreet has negotiated preferred purchasing programs with Preferred Vendor Partners. Subsequently, programs will be rolled out for company premiums (logo products), equipment and vehicle leasing, IBM computer purchasing, waste manage-

ment, credit card processing, payroll processing and Human Resources outsourcing. Ultimately, all 24 of MainStreet's programs will be available to Network members.

Network members have reported that, once their account has been set up with the Preferred Vendor Partner and appropriately coded so that they automatically receive the MainStreet Co-op discounted pricing, then the order/receipt/payment process operates smoothly.

In addition to the discounted prices, at year-end, the Preferred Vendors will pay a previously negotiated rebate to MainStreet based on purchase volume. In turn, MainStreet will pay 50% of their annual rebate check back to the OEOC. Correspondingly, the OEOC will pay 50% of its annual rebate check in the form of a patronage dividend to Network members based on the member's purchase volume. The Network member's \$100 annual fee for joining MainStreet's group purchasing coop will be deducted from their annual patronage dividend check, so there is no out-of-pocket expense to Network members for joining MainStreet.

This program is available only to members of Ohio's Employee Owned Network. Anyone interested in learning more about Network membership or about the MainStreet Group Purchasing Cooperative should contact Karen Thomas (kthomas@kent.edu) or Bill McIntyre (bmcinty2@kent.edu) of the OEOC at 330-672-3028. **OAW**

ESOP Milestone Training Introduced at Marine Mechanical

The most effective ESOP training of company employees is training that is done by other company employees. In those situations, both the trainers and the trainees benefit. It is a well known adage that the best way to learn something yourself is to try to teach it to someone else.

Unfortunately, most companies are unable to carry through on this objective. Training simply takes too much time and energy from the employees doing the training, and in-house training programs typically are not maintained, despite the best intentions.

The OEOC developed the ESOP Milestone Training Program to provide the right ESOP training to the right people at the right time. As participants pass through the milestones of being Newly Eligible for the ESOP, Initially Vested in the ESOP, Eligible for Age 55 Diversification, and Approaching Retirement, they receive training appropriate for their milestone. OEOC staff members conduct on-site one- or two-day training sessions for existing and new employees as needed. The company chooses the frequency and curriculum.

To deliver ESOP Milestone Training for their employees, Marine Mechanical Corporation (MMC) of Cleveland, OH

hired the OEOC staff. In a three-hour program, the company's newer employees (Newly Eligible and Newly Vested) received training on the ABC's of MMC's ESOP, the ABC's of MMC's Stock Valuation, and Understanding MMC's Participant Account Statement. This program was so well received that the recommendation was made to conduct "catch-up training" for all employees so all have the same basic knowledge of MMC's ESOP.

In addition to the Milestone Training, all MMC's ESOP Participants played the ESOP Game in 8-10 person teams. In the ESOP Game, participants learn how an ESOP works, learn about the strategic decisions and constraints that businesses face, and explore some of the typical conflicting interests and common objectives of owners, employees, and retirees in an ESOP. While there is no one "right answer" to the ESOP Game, all can see that there is a right philosophy, and that is to work toward the long-term success of the company rather than focusing on quick gains.

After playing the Game, OEOC staff members joined MMC employees in their Annual Participants' Meeting and assisted in consuming a scrumptious barbeque cookout afterwards. **OAW**

Jet Rubber: Ten Years of ESOP Success

The fifty employee owners of Jet Rubber Company, a manufacturer of custom molded goods and rubber-to-metal parts founded in 1955, celebrated the 10th anniversary of their ESOP in March 2003. The firm is located in Rootstown, Portage County, Ohio, a city small in size but large in pride with well-kept Victorian homes surrounding the town square and American flags waving proudly along the downtown streets. The employee-owners of Jet share a similar spirit of local pride in their business, planting deep roots to stabilize their jobs and their community.

"The ESOP has meant a lot to all of us because we are working here for ourselves," said Thelma Matthews, a 20-year employee and Finishing Department Supervisor. "We feel like a family; it's great working in an atmosphere where everybody helps out."

"The value of Jet's stock has gone from \$23 per share ten years ago to \$78 today. That's not going to make or break Wall Street," says John Logue, OEOC Director, "but it does make a difference to 50 employees, their families and Rootstown, Ohio. Jet's achievements as an employee owned company are impressive. Employee ownership has meant better jobs, better pay and benefits, and better retirement than would have been the case if Frank Brubaker had sold to anyone else."

Responsible Ownership for Future Generations

Frank Brubaker, the former president of Jet Rubber, is a modern day hero with a quiet demeanor. He has worked with the EPA for the past 18 years while simultaneously working on a strategy of long-term development of Jet Rubber as an employee-owned business. Leadership and cooperation among all Jet's managers and employees has ensured long-term success.

Frank's dad and two business partners bought Jet Rubber in 1966. Almost twenty years later, when the partners died, Frank's family was left with majority ownership and a serious environmental liability, discovered when he initiated a sale of the business in 1985.

"I was unable to sell the company and instead began the remediation process. My family had nothing to do with causing the pollution; former management dumped solvents in a dry well back in the '60s and '70s. But I am responsible for cleaning it up."

Brubaker has done the right thing, and at great cost. He formed JRC Holdings, which retained ownership of the polluted property and made Jet Rubber Company a business subsidiary. In 1987 he approached Jet's middle managers and offered to sell the plant to the employees, in about five years, should it be feasible. Brubaker then launched the ESOP strategy and made significant business improvements over the next five years. First, in 1987 Jet bought new tooling and became a primary supplier of molded goods for GE maintenance supplies. GE is now one of the firm's biggest customers.

The first formal steps toward employee ownership began in late 1991 when a committee of managers and employees was

formed to study the feasibility of an ESOP, with guidance from Dan Bell of the Ohio Employee Ownership Center. Committee members met with experienced leaders from other ESOP firms, including Terry Green at ESOP-owned Mantaline in Mantua.

Local community development support played a crucial role in structuring the ESOP loan to purchase the business. The down payment came from Jet's profit-sharing plan, and other loans came from the Portage County Community Development Block Grant Program, the State of Ohio 166 Loan program, and Bank One. The loans were paid off early, and a second ESOP loan was used a few years later to purchase a new press.

The ESOP bought Jet Rubber in 1993. Brubaker used the sale proceeds to fund the pollution cleanup and stayed on as an employee and participant in the ESOP; he forfeited the Section 1042 tax advantage for owners who sell stock to an ESOP. Today remediation is still in progress and the ultimate goal is obtaining a "no further action" letter from the OEPA. "Despite everything I am a proponent of the EPA," said Brubaker recently.

"Brubaker is still with us as a vice-president, an officer and Director, and our hardest working employee," said Darrel Cox, President of Jet Rubber. "If and when the EPA approves the cleanup, we want to exercise an option we hold to buy the formerly polluted property in order to expand our number of presses and build a bigger warehouse."

Brubaker hoped that the employees could keep the company going with an ESOP because it provides an opportunity for them to better themselves through their own efforts.

"I feel that an ESOP is the most sensible way for employees to buy a business if they want to," he stated, "and a majority of the employee owners here do work harder and smarter."

Board Builds Ownership Culture

Cox often tells his peers at the CEO Roundtables of Ohio's Employee-Owned Network that, unlike many other ESOPs, Jet Rubber does not have many employees involved in committees. Instead Jet's Director cultivates an ownership culture by modeling effective worker-manager relations and promoting open communication.

Jet has a 5-person Board of Directors including three manager directors with permanent seats and two elected employee directors who serve staggered two-year terms. Nominations are open and an average of four or five employees are nominated during each election.

The Board discusses problems, approves expenditures, and determines wages and bonuses. Only once in ten years have the manager-directors overridden the votes of the employee-directors, on a proposal for additional sick days.

"ESOPs alter everyone's attitudes," explained Karen Crooks, Corporate Secretary/Treasurer, who recently celebrated 40 years of service. "Employee directors give me feedback, which helps me take a long-term view and think about how decisions will affect everybody. Shop employees, in turn, discover that it's not as



Jet pride manifested itself in this homemade poster made especially for their 10 year celebration

easy to run a business as it looks. Our sales may be good, but we always have other expenses that employees were not aware of in the past."

Employee Directors Communicate

Rick Oblisk, an employee Director and 12-year employee who started out in the pressroom and has served as the firm's Quality Control Supervisor for the past 3 years, explained "I ran for the Board six years ago to be nosey and because I thought it would look good on a resume. I liked it, and I learned how management worked. We have financial responsibility for the company and watch out for others. I speak for people's questions and concerns, though they understand there are some things we can't talk about outside of Board meetings."

Dave Samaniego, leadman in the Barwell and Mill Department with six years of service, was recently elected to his first term on the Board. "I am learning a lot about the history of this company and the financial part of running this business. We have a good group of people here in the shop who do the work, support the company, and are building something together for our future. My role is to listen to people's opinions and questions and communicate back on Board decisions."

ESOP Brings People Together

"We work at a faster pace than other rubber shops in the area because we produce smaller orders and do more changeovers," explained Oblisk, "but our pay is higher because we get plenty of overtime, stock in the company, and profit sharing. We work 9-10 hours a day, 6 days a week and run one shift with overtime in the mill room, three shifts in the press room, and two shifts in finishing."

Sales and scrap figures are posted monthly so folks can tell how things are going. This promotes an underlying sense of pride and responsibility. Several women in finishing formed a team and developed their own late-night shift schedule. That was four years ago and they continue to make it work.

Jet has low turnover. Sixteen of the 40 employees who worked there ten years ago when the ESOP was started are still here; and some who left came back. "I was young and stupid," said millman Larry Mattice, "I started working here and then left to make more money in machining. I wish I'd never left. This is the best place I ever worked and the people here have been good. I now have five years of service."

Among the 50 current employees, only 10 are under age 40. "The ESOP offers stability, though younger people don't see their ESOP accounts grow right away," explained Jeff Nichols. "Employees work two years before they get into the plan and a full seven years until they are fully vested. It takes time."

Managing the ESOP for the Future

"We, as managers, need to establish a strong pattern for others to follow into the future", says Crooks, "one which maintains our ESOP and our spirit of working together. Jet needs managers who are open to new ideas and moving our ESOP culture forward." Cox, who has been with Jet since 1972, is grooming a successor

with several years of experience in Jet's production operations.

"An ESOP means more responsibilities for management too," adds Crooks. "Now that we are ten years into our ESOP plan we are preparing for 'age 55 diversification.' We have contributed \$100,000 towards our ESOP repurchase obligation in each of the last four years and plan to offer other investment options within the ESOP."

Pride in working together, moving forward, and achieving job stability are important themes at Jet Rubber. "While other companies are shutting down and closing doors, we have no layoffs here at Jet," said Thelma Matthews. "We know that the economy has



Celebrating Jet's 10 years: (from top to bottom) Larry Mattice (Millman), and Jet Board of Directors members Dave Samaniego (Leadman), and Rick Oblisk (Quality Control Supervisor); ESOP Steering Committee members Mary Parkinson, David McGunigal, Darrell Cox, Jeff Nichols, and Karen Crooks; Finishing Department crew (front row) Thelma Matthews, Gloria Bradfield, Hallie Delin, and Kathy Aldredge, and (back row) Connie King, Dave McCrory, Shirley Thompson, Kim Slone, and Sandy Youkin



ups and downs but we've done really well even in bad times. The ESOP offers us extra benefits in shares of stock and profit sharing, but the ESOP also offers us more pride in our work."

"We are beating Wall Street," says Cox. "Our stock is down only 10% this year and was down just a little last year. Every previous year we have earned ourselves wage increases, profit sharing, and bonuses. I feel a sense of pride when I tell people we are employee-owned. When customers say they are glad to be talking to the owner here, I say 'wait -- we have 50 more.'" **OAW**

Ohioans Sweep National ESOP Awards



NOTE: AACE = Association Award for Communications Excellence

(from Top to Bottom): Kathy Kalal of Albums, Inc., in Strongsville, OH, who was named the 2003 ESOP Association National Employee Owner of the Year, accepts her award from ESOP Association President, Michael Keeling; Like proud parents, Ted Hardman, Ron Nauman, Deb Stottlemeyer, Rick Omlor and Danielle Dumont pose with their winning entry, "Employee Ownership Nourishes Our Future," in the 2003 ESOP Poster contest. There were 28 entries in the contest this year; Dave Gustafson of CBIZ Business Solutions (second from left) and Bill McIntyre of the OEOC congratulate Anissa Grider and Pam Zajac of ACRT, Inc., of Cuyahoga Falls, OH, for ACRT's winning the 2003 AACE Award for Printed Materials for Companies with Over 250 Employees and for being Runner-up for the 2003 AACE Award for Total Communications Program for Companies with 101-500 Employees; R/J Martin Electrical Contracting, Inc. employee owners Dave Berardi and Mike Balzer display their 2003 Runner-Up AACE Young ESOP Award.

Has your next Employee Owner Check-Up been scheduled yet?

Every employee owner goes through a life cycle, from the initial orientation to the final distribution; from understanding ESOP basics to mastering the skills to participate effectively under open book management. The Ohio Employee Ownership Center of Kent State University offers an annual Employee Owner Check-Up. We'll help you identify those employees reaching key ESOP milestones in the current year, and systematically provide them with the corresponding information and training.

*Don't let any of your employee owners fall through the cracks!
Call Dan Bell at 330-672-3028 for more details*

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Kokkinis & Associates is a financial advisory firm based in New York City, focused primarily on establishing employee-owned companies. The firm offers a full range of services, from feasibility work to investment banking services. The firm is one of the leading providers of feasibility studies for employee buyouts. We specialize in working with employees who are facing a possible plant shutdown, particularly in unionized situations. Other services include: assessing corporate viability and debt capacity; financial restructuring; succession planning for family-owned businesses; business plan development; business valuation; and obtaining financing. The firm has worked with several of the major organizations dedicated to industrial retention, including the Ohio Employee Ownership Center, Steel Valley Authority located in Homestead, Pennsylvania, and the Ownership Transition Services Program of the New York State Department of Economic Development.

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For more information on how an independent trustee may contribute to the success of your ESOP, contact John Banasek at (630) 572-5122 or Marilyn Marchetti at (630) 572-5121. Our national toll free number is 1-888-647-GBTC. We are located at 1301 W. 22nd St., Suite 702, Oak Brook, IL. 60523.

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OWNERS AT WORK

Volume XV No. 1

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UPCOMING NETWORK EVENTS – 2003

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Wednesday, September 24 Dayton

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Wednesday, December 3, Kent

ESOP Administration Forum:

An Update on Tax, Legal and Administration Issues

Thursday, December 4, Kent

*More information on these programs can be
found on page 16 of this newsletter*

Mark Your Calendars !!
Friday, April 16, 2004 Akron
The 18th Annual
Ohio Employee Ownership Conference

OTHER EVENTS OF INTEREST

Various locations
and dates

National Center for Employee Ownership
Introduction to ESOPs Seminars

For more information, log on to http://www.nceo.org/meetings/intro_to_esops.html

August 7-9, 2003
Chicago, IL

The ESOP Association
Employee Owner Retreat

*Contact: Rosemary Clements 202-293-2971
or rose@esopassociation.org*

November 4-6, 2003
Minneapolis, Minn.

National Cooperative Business Association
Cooperative Development Forum

For more information, contact the NCBA at (202) 638-6222

April 18-21, 2004
Montreal, Canada

Global Equity Organization
Annual Conference

For more information, log on to www.globalequity.org/conference

Preliminary Feasibility Grants

The Ohio Employee Ownership Center (OEOC) administers the Ohio Department of Job & Family Services preliminary feasibility grant program. This program is designed to provide financial assistance for groups who are interested in contracting a study to explore employee ownership as a means to avert a facility shut down. For more information, please contact the OEOC at 330-672-3028 or oeoc@kent.edu.

The National Steel/Aluminum Retention Initiative (NSARI), administered by the OEOC, provides preliminary technical assistance to buyout efforts in the steel and aluminum industries. The program can also provide technical assistance to existing employee-owned companies in these industries. For information, call Steve Clem or John Logue, at 330-672-3028 or at <http://www.kent.edu/oeoc/nsari/>.

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