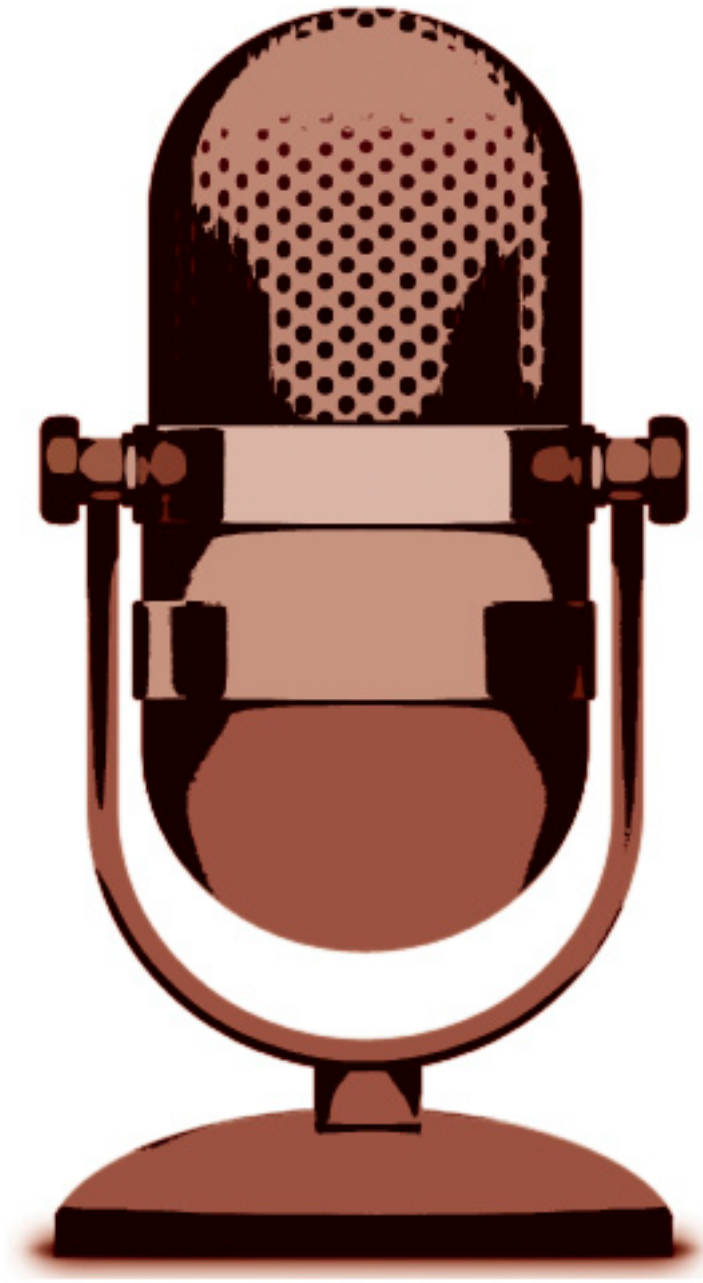


OWNERS @ WORK

the ONLINE magazine of the
Ohio Employee Ownership Center

Volume XXVI No. 1 Winter 2014

The Interview Issue



Michael Keeling • Andy Kulesza • Loren Rodgers
Jim Steiker • Matt Hancock • Chris Snider

OWNERS AT WORK

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Front cover design by Chris Cooper

Owners At Work (ISSN 1046-5049) is published twice a year by the OEOC. Copyright © Ohio Employee Ownership Center of Kent State University. Letters, articles, requests for permission to reprint and subscriptions (which are free) should be sent to the editor.

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 U.S. Department of Agriculture and private foundations, as contributions from service provider professional members, Friends of the Center, and the companies that comprise Ohio's Employee-Owned Network.



Ohio Employee Ownership News	3
Q&A with Andrew J. Kuleza	6
Q&A with Loren Rodgers	9
Q&A with Christopher Snider	12
10 Things You Might Not Know About Co-ops	14
Q&A with James Steiker	15
Q&A with Michael Keeling	16
Q&A with Matt Hancock	18
Valicor's ESOP Program Brings Greater Trust and Increased Efficiency	21

Editor's Note

This issue of Owners At Work is trying something new, an issue dedicated to talking to interesting people from all areas of the wide and varied world of employee ownership, and beyond. We hope that the conversations with these employee ownership leaders

- *Andrew J. Kuleza, President and CEO of Diversified Industrial Capital Group and former recipient of the John Logue Employee Ownership Excellence award, talks about how the impact of the ESOP on the company and political advocacy for ESOPs.*

- *Loren Rodgers, Executive Director for The National Center for Employee Ownership discusses the world of Employee ownership and it's growth and change over the years.*

- *Chris Snyder of the Exit Planning institute talks about the benefits of beginning succession planning early.*

- *James Steiker, Chairman & CEO of SES Advisors, Inc. and President of Steiker, Fischer, Edwards & Greenapple, P.C., discusses the legal impact on ESOPs.*

- *Michael Keeling, President of the ESOP Association describes how ESOPs create a positive effect for the company and the employees.*

- *Matt Hancock, expert on the Emilia-Romagna region of Italy discusses the influence of culture and location on worker-owned cooperatives, and the development and spread of cooperatives in the region, and some lessons for US cooperative development.*

Our cooperative development specialist Robert Cohen explores some of the facts you might not know about cooperatives. Finally, the Marketing Coordinator of Valicor Environmental Services, a member of Ohio's Employee Owned Network, discusses how the ESOP program has benefited the company.

We also thank both the sponsors of this issue of O@W (you'll see their info sprinkled around the issue) and the generous folks who have contributed to the ongoing work of the Center through our Friends of the Center donation program (see page 5 for a full list.) We thank each of you for your support.

And finally we want to encourage each and every one of you to mark your calendars, free up your schedule, and make your travel plans in preparation of attending our 28th Annual Ohio Employee Ownership Conference; this year it occurs on Thursday, April 24th, 2014 in Akron Ohio.

Enjoy your spring!

Ohio Employee Ownership News

Cultivating New Growth at Davey Tree

This year, Davey Tree celebrates 35 years as an employee-owned company as they continue spreading their expertise and commitment to satisfaction. The company was established in 1880, Davey now has operations in more than 47 states and five provinces in the United States and Canada, with more than 7,300 employees making it one of America's largest employee-owned companies.

The company kicked off the New Year by acquiring Maier Forest and Tree in Rochester, Minnesota. And Superior NW Tree & Shrub Care, Inc. in Seattle, Washington. Shortly after, Davey announced a new acquisition—Cortese Tree Specialists in Knoxville, Tennessee, who chose to sell to Davey because of the additional opportunities that would benefit his employees. Most recently, Davey celebrated the opening of seven additional branch offices in Austin, Texas; Baltimore, Maryland; Chicago, Illinois; Detroit, Michigan; Napa, California; Pittsburgh, Pennsylvania; and St. Louis, Missouri.

The Davey Tree Expert Company believes that these expansions expand and strengthen Davey's presence while creating opportunity and giving their employee-owners "a chance to grow and mature." In a news release, Jim Steif, executive vice president, operations commented, "As employee-owners, our field people have a vested interest in the company, and have a greater commitment to our clients and to each other." Davey Tree CEO, Karl Warnke will be the keynote at this year's Ohio Employee Ownership Conference in Akron on April 24th (see page 8 for details).

New Issue of Rural Cooperatives Magazine Features OEOC

Rural Cooperatives is a bimonthly newsletter published by USDA Rural Development. The latest issue was recently released and contains articles about advanced biofuel projects, overseas co-ops, a Co-op in Montana that recently reached its first \$1 million sales year, and an article on the Urban farming co-op that is bringing local food and new jobs to Cleveland.

Green City Growers opened in Cleveland in February of 2013 with 3.25 acres of growing area which produces hydroponically grown leafy vegetables. The Ohio Employee Ownership Center at Kent State University worked with the cooperative to create a suitable financial plan as plans for the business developed.

Check out this issue of Rural Cooperatives, to learn more about The Ohio Employee Ownership Center and our work in assisting employees and business owners who are interested in employee ownership through both ESOPs and Co-ops.

Successful Conference Rocky Mountain Employee Ownership Center

In September, the Rocky Mountain Employee Ownership Center hosted their first conference titled, "Community Wealth-Building—Creating a New Economy," which explored the use of Community Wealth-Building strategies to strengthen the growing Colorado economy. Collaborators for this event included Co-operate Colorado and The Denver Foundation.

The keynote address provided by Steve Dubb of the Democracy Collaborative looked at the importance of capital that is anchored in a place to support economic vitality. Nine break-out sessions on employee ownership, healthcare, the local food movement, and capital access followed the keynote address. With thirty expert speakers, including RMEOC board members, Richard Eidlin of the American Sustainable Business Council, Denver cooperative

attorney Lina Phillips, and Jenny Briggs of New Belgium Brewing, the conference drew in 89 attendees.

The Rocky Mountain Employee Ownership Center is a Denver-based non-profit whose mission is to promote the employee-ownership model as an important business option in our nation's system of free enterprise, and as a path to greater commercial vitality, employment opportunity and economic security for all Americans.

Congratulations to the organizers for a job well done.

Nation's Oldest ESOP Advisor turns 40

Menke, a single source provider for ESOP Services, was founded in 1974 and in the last 40 years, the company has structured more than 2,500 ESOPs for companies with as few as 10 employees to more than 10,000 employees. Not only is Menke one of the largest and most experienced provider of ESOP services, the company is 55% employee-owned.



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Employee Ownership News

Prior to founding Menke & Associates, John Menke was a Senior Tax Attorney with the Law Offices of Louis O. Kelso (1972-1974). He has authored numerous articles and a book on Employee Stock Ownership Plans, and co-drafted the original ESOP legislation, which helped to spawn employee ownership in the US.

2014 International Summit of Cooperatives

The 2014 International Summit of Cooperatives will take place October 6-9, 2014 in Quebec. The event is asking authors and researchers to submit empirical or theoretical articles linked to the Summit's main theme, Cooperatives' Power of Innovation. The 2014 International Summit of Cooperatives aims to bring together key players from the cooperative movement to discuss the latest studies and developments in the cooperative world. This year, twenty-five studies will be presented by internationally recognized experts.

Check out the International Summit of Cooperatives website to view the complete details on the studies.

Marjorie Kelley joins the Democracy Collaborative

The Democracy Collaborative has welcomed Marjorie Kelley as a Senior Fellow and Director of Advisory Services. She had been collaborating with The Democracy Collaborative since June, working as the Project Director for the Learning/Action Lab for Community Wealth Building. This project involves working with six Native American organizations in Minnesota, South Dakota, Oregon, and Washington to help them engage in community economic development.

Kelly has served as a Fellow with the Tellus Institute in Boston where she co-founded Corporation 20/20, which brought together leaders and experts to discuss redesigning corporations to align with social and environmental

concerns. She has also worked with WealthWorks and Business Ethics Magazine and has authored several books on ownership strategies including, *Owning Our Future* (reviewed in *Owners at Work*, Summer 2012), *The Divine Right of Capital*, *The Architecture of Enterprise: Redesigning Ownership for a Great Transition*, and *Keeping Wealth Local*. She also wrote an article for *Yes! Magazine*, "The Economy: Under New Ownership", on how cooperatives are empowering

workers and creating healthier communities.

The Democracy Collaborative works across the nation to create new models for economic development that empower communities, build democracy, and address the root causes of poverty and economic equality.

We wish Marjorie continued success as she helps the Democracy Collaborative build on their existing work.

B Lab Receives Skoll Award for Social Entrepreneurship

Every year, the Skoll Foundation presents the Skoll Awards to transformative leaders. This year, seven organizations will be honored at the 11th Annual World Forum in Oxford. One of the honorees is B Lab, founded by Jay Coeh Gilbert, Bart Houlahan, and Andrew Kassoy, for "Redefining Success in Business as Best FOR the World".

B Lab is helping to encourage a new sector, legal structure and standards for businesses to create financial, social and environmental value for society as well as the shareholders.

Currently 20 states have passed Benefit Corporation legislation, and almost 1,000 corporations have become B Corporation certified.

Employee Ownership and the Best Companies to Work For

This year, more than 40 companies with employee ownership plans made it on Fortune's list of the 100 Best Companies to Work for. The recognized companies include Robert W. Baird a majority employee-owned company at number 9, 100% employee-owned Burns & McDonnell at number 14 and Publix at number 75.

Part of creating the annual list involves anonymous surveys to collect feedback from employees. For the employee-owned companies recognized, the employee ownership plan was a frequently cited benefit.

"One of the unique things about Burns & McDonnell is the employee-owner culture. Management has done a great job to make us understand what employee-ownership means and because of that we all tend to pull in

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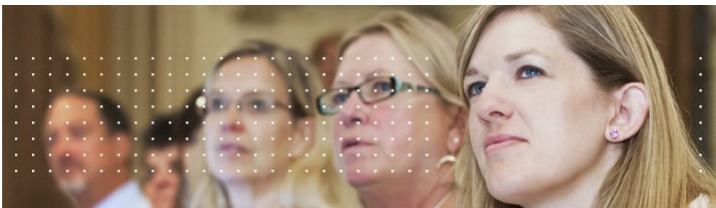
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Employee Ownership News

the same direction. We all know that we are in this together. Therefore when one office is not doing very well, we all get concerned. We watch out for each other!!" ~Burns & McDonnell Employee

"The culture is unique in that there is truly a no-jerk policy that specifically insists that all associates are to treat each other with respect. Being privately owned by almost 50 percent of the employees makes us behave in a prudent manner and enables us to carry on our business without the pressures and sometimes arbitrary judgments of Wall Street." ~Robert W. Baird Employee

"I am grateful for our generous ESOP plan. It is hard to believe that I started working here at age 16 and worked my way through college into management

and now, at the age of 31, have more money in my retirement account than that of most near retirees in the outside world." ~Publix Employee

Visit the full 2014 Fortune 100 Best Companies To Work for List to read more about all of the honored companies.

Charles R. Edmunson Scholarship Applications

The Employee Ownership Foundation is accepting applications for the 2014 Charles R. Edmunson Scholarships. Information is available on the Employee Ownership Foundation website. The deadline for all 2014 Edmunson Scholarship Application is March 7, 2014.

This Scholarship program honors employee ownership leader and

advocate Charles R. Edmunson who dedicated a significant part of his life to educating employee owners of the benefits of widespread ownership in a free enterprise system. Mr. Edmunson was also instrumental in the creation of the Employee Ownership Foundation.

An Edmunson Scholarship awards an ESOP employer up to \$1,250 to defray the expense of sending employee owners to employee ownership training programs such as the Employee Ownership Foundation's Employee Owner Retreat or the Association's Annual Conference in Washington, DC. The Scholarship may also be used for Association Chapter and Regional Conferences. The Scholarship is for non-managerial employee owners.

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Interview: Andrew J. Kuleza

President, CEO

Diversified Industry Capital Group

Interview conducted by Chris Cooper



Q: Thank you Andy for taking the time to talk with us today.

A: My pleasure.

Q: Tell us a little about Diversified Industrial Capital Group, its history, and its products and services.

A: Kramig Group is now named the Diversified Industrial Capital Group as it encompasses multiple companies rather than only the original Kramig subsidiary. The company was founded as R.E. Kramig & Co., Inc in 1896, with its first partnership agreement coming in the turn of the century, and incorporation in 1934. We have copies of these documents in our building which are quite interesting, as well as telegraphs sent back in the day. Kramig had insulated many of the landmark buildings and power companies in the region. We were THE Insulation company in the Cincinnati region up until the early 2000's when competition became very cut throat and driven on price alone, not quality. We have always prided ourselves on giving fair quotes, not low numbers to get in the door and making it up with adders. Our services include insulation (obviously), scaffolding to do the insulation or removal, haz-mat removal for items such as lead and asbestos, insulation blankets and just about any other related service a customer would ask for. We insulate items such as tanks, piping and boilers. The blankets we sew here in the shop per the customers specs and ship them wherever they are needed to be put on pumps, machines or the like. We can also sew on site if needed. Of our multiple holdings, Kramig (kramiginsulation.com) is our union division with offices in Cincinnati and Evansville and Incorp (incorpinc.net) our non-union division based out of Evansville. Both entities do work in various states across the country and are not limited to either Cincinnati or Evansville.

Q: How did you get started at the company?

A: Personally, my father came to Kramig back in 1977 after his time at Arthur Andersen. He was neither a Kramig nor had any connection to the family. In 1988, the company was going to be sold by the Kramig family and that is when my dad, who was Treasurer at the time, investigated the ESOP route with some other Cincinnati businesses who had done the same. It was the ESOP that kept jobs and profits here and saved our company for the employees. There are no more Kramig's who work here, however many of the 100-200 employees that work here from time to time are 2nd

and 3rd generation employees. As for myself, Kramig was one of my accounts when I was an analyst in commercial lending at U.S. Bank. After 4 years there, I had decided to leave finance and go my own route which was to get a masters in education and develop a business curriculum in the high schools while coaching football. After 5 years there and completing my MBA to teach college, my father had developed terminal cancer. It was at that point I interviewed at Kramig and decided to come in as a finance guy as I was one that understood the ESOP from my days at U.S. Bank.

Unfortunately, under the leadership and direction of my dad's successor, the stock had declined 20+ percent, the hunger and drive to get work had gone away and in 2012-2013 major changes had come to our organization. We had lost our ESOP spirit and focus. Today, our Incorp division under the leadership of President Bradley D. Solem, his team is making strides to exponentially expand across the United

States while the Kramig division under the leadership of Interim President Dennis W. Lambert hired in a team during 2013 that is committed to not only once again return to dominance in this region, but expand as far west as St. Louis and east into Pennsylvania and New York. We would not be here without the help of the ESOP model, the ESOP community, the new management team, and our dedicated employees that have stuck with us

and the leadership of Mr. Solem and Mr. Lambert. We have promoted our first female officer (Sheryl J. Bills) in a male dominated business, thanks to the power of ESOP paving the way for diversity. I now also have a co-trustee, Ryan M. Schenk who I trust will also respect each of our employees as owners and value their contributions to this model. Some people say this is airing dirty laundry, but does anyone think a company runs perfectly when it has worked in each of three centuries? That dirty laundry is what tells the story of our resilience, employees and ESOP. Many of the here today gone tomorrow companies, sure they were successful for a time, but to withstand hard times while doing work in the 1800s, 1900s and 2000s...it says a lot about how you treat your employees and customers.

Q: In your view, what has been the impact of being an ESOP company for Kramig?

A: From my perspective, the largest impact of being an ESOP is that it has saved this company twice. The first time in 1988 when we could have been sold to a private equity firm

next page ►

out of Atlanta and again most recently when the company was rocked with mediocrity, scandal and lack of conscience. If it were not for the power of the ESOP to allow employee owners to stand up for what was right, the Company would have faded away just as many others do when owned by only one or two people that care only about their own well-being, not the employees.

To supplement that core, is the ESOP community with the education and networking that OEOC and TEA provided. It allowed us to meet Ben Wells of Dinsmore who provided the legal strategies to see us through those dark days. Visit our corporate website at www.dicg.us which has supportive data and video on ESOPs.

Q: One of the reasons that we love to talk with you is your work in advocacy of ESOPs and employee ownership on the political front. Why do you feel this is important enough to dedicate your efforts in this area?

A: Hah, the political front. I always loved politics as my days as a teenager I would watch the nightly news for relaxation while eating dinner after practice and before I would crack the books. The only problem with politics... every time I talk about it, someone gets mad, even my wife! The beauty of ESOPs and politics....everyone can agree! What Democrat can argue with empowerment, diversity, and meaningful retirement for average pay employees. What Republican or Libertarian can argue with deferred taxes, higher employment, and capital held in Main Street America rather than Washington D.C.?

As a former educator and an avid capitalist, ESOPs embody the balance of the American Spirit better than any other business model. ESOPs treat employees the way many American business used to be, before we became the outsourcing, pennies per share business climate we are in today. It is something that every politician must hear about and THAT is what motivates me.

Q: How did you initially get started on the political side of employee ownership?

A: I had gone to OEOC and Ohio/Kentucky ESOP conferences which were excellent sources of technical knowledge and benchmarking with other ESOP companies, experts and staff. They got me interested enough to attend a National Conference of TEA. In 2008 is when I found my political fire for ESOPs. I liken it to being a Jimmy Buffett fan who knew I liked what I grew up listening to, but until I got to my first concert and saw that there were 25,000 other Parrotheads just like me with the same stories, I became part of the cult you could say.

So I digress....in 2008, I went to The ESOP Association Annual Conference in Washington D.C. and the Ohio contingent invited me to tag along to Sherrod Brown's office as he is a great supporter of ESOPs. I made that visit and listened to what was said by Tim Jochim and the other companies. They each had stories about their respective companies and I then knew Kramig had its own similar story. We then returned for lunch and the keynote speech by J. Michael Keeling. Mr. Keeling was giving his usual fire and brimstone speech on getting in front of our Congress and how special the ESOP story and ESOP companies were.



He truly was the one that closed the deal on becoming active in the politics of ESOPs.

I remember after lunch I caught up with him outside the Washington Hilton and he took the time to talk to me about it one on one.....the young guy whom he never met....he took the time to educate me on ESOP politics and listen to my story of ESOP. Since 2008, I have been able to spend some time with Michael and that charisma and inspiration is still there. He reminds me of one of those professors that you could listen to for hours and you walk out ready to take on the world, in this case, Washington. So I guess you could owe some of it to "The Professor".

Q: What types of activities in this area have you been involved with over the last year or two?

A: Two years ago, with the help of an ESOP Association Board of Governor member and U.S. Representative Steve Chabot locally, we were able to invite Speaker Boehner to deliver a message to an ESOP Association conference where

he mentioned two Ohio ESOPs (Messer Construction and Kramig Insulation) and most recently in 2013 with the budget and House Ways and Means mulling over revenue sources, both Kramig and Incorp have contacted Rep Tiberi (OH), Rep Chabot (OH) Rep Bucshon (IN) and Rep Young (IN) to let them know how important ESOPs are to their respective states.

An angle that many ESOPs may not look at is that if you are a construction company and travel, even though a Representative is not in the district of the company's

headquarters, they need to listen as a project may end up being in their district pulling labor from their voting base.

Q: How would you characterize generally the political and legislative support for ESOPs and employee ownership in our current political climate?

A: The support is there, but unfortunately anything is on the table and a wild card at this point with Congress and this Administration.

Q: What piece of advice would you give your fellow employee owners around the country interested in advocating politically for ESOPs?

A: Persistence, and just as in networking, your biggest asset may not be the direct contact itself, but the indirect contacts. Of course that is what makes it so tiring and challenging in getting to them.

Q: Thanks for your time today.

A: Glad to be here.

"ESOPs embody the balance of the American Spirit better than any other business model."

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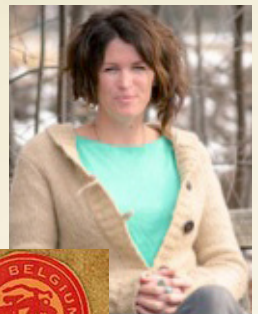
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Interview: Loren Rodgers

*Executive Director
The National Center for
Employee Ownership (NCEO)*

Interview conducted by Chris Cooper



Q: Thank you Loren for taking the time to talk with us today.

A: It's my pleasure, Chris. I've always admired the Ohio Center, and I'm honored that you invited me to speak with you.

Q: Tell us a little about the National Center for Employee Ownership.

A: The NCEO is a national nonprofit membership organization. We do a lot of original research, publish about 60 different titles, host over 40 Webinars, and we hold an annual conference that we're really proud of. We were founded in 1980 and our co-founder, Corey Rosen, is still on staff and still creating some pretty amazing research and resources for people interested in employee ownership. Our mission is to provide accurate, reliable information about employee ownership, and we seek to do that to the broadest and most relevant audiences possible.

Q: What's the size of membership in your organization?

A: We have about 3000 members, and the largest category is companies that are owned by their employees, most often through an employee stock ownership plan, but we also have members with broad-based equity compensation plans, worker cooperatives, and LLCs with employee-ownership. Our next largest category of members is professionals who provide services to employee-owned companies, and the next largest is companies that are considering employee ownership. Our members also include other people interested in the field, whether they are academics, people working for nonprofits, or simply interested individuals.

Q: I know you've been involved in the world of employee ownership for a long time, even before joining the NCEO. How did you get started in this interesting line of work?

A: I first learned about employee ownership as an undergrad at the University of Michigan. I took a course in different economic systems, and we talked about everything from unregulated capitalism to centrally planned Soviet economies.

Along the way we talked about worker ownership. The next year, after I graduated, I moved to Czechoslovakia, where I lived for a few years, teaching English and trying to figure out what I wanted my life's work to be. I actually quite literally woke up one morning with the answer in my head, and the answer was employee ownership.

I moved back to Michigan and enrolled in a master program, taking courses in public policy and business, always focusing on employee ownership. I met my first employee owners during a business school consulting project, and did my best to learn from the wise people in the field. I especially remember calling the Ohio Center and having John Logue very patiently explain the real world of employee ownership to me, including some excellent advice about how to make a living. I also got a summer internship in Ukraine, where I had a chance to study employee ownership as a form of

privatization in a formerly communist society. It was fascinating, and I got even more hooked. I finished up my graduate school and was extremely lucky to find a job with Christopher Mackin at Ownership Associates, a consulting firm specializing in employee ownership, and it was from him, from my other colleagues, and from the wonderful clients we worked with that I really got immersed in the field.

Q: In that time frame, what has excited you the most (and concerned you the most!) about the growth and change in the world of employee ownership?

A: I think two trends are most exciting to me. The first is the increasing

tendency of ESOPs to own 100% of the shares of companies. Owning the whole business changes the way employees and managers think about employee ownership. It has become more of a stable state and sustaining employee ownership has become a long-term company goal. Another trend has been the emergence of clearer best practices around how to be employee-owned. Business are learning about engagement, employee committees, business literacy, sharing financial information, wellness programs, and the whole host of activities that make employee ownership stellar. I am thrilled

next page ►

to meet people from companies and hear what their ideas are – it's an endless, boundless stream of creativity.

Q: This may be a question better suited to a book-length piece rather than a short interview...but I am going to ask it anyways: How would you assess the "state of employee ownership" in the U.S. as we start 2014?

A: My concise answer is "high potential." There are somewhere around 12,000 ESOP companies in the United States, if you count both ESOPs and plans that are functionally about the same as ESOPs. There are a maybe 3,000 thousand more companies with broad-based equity plans, and maybe 4,000 with stock purchase plans, and several hundred worker cooperatives. On the one hand, that's a lot – probably somewhere around a quarter of the US work force. On the other hand, if this is a good business model—and the available data and research is overwhelming that it is—there could be much, much more.

Q: Do you feel that, as a whole, the U.S. is becoming more or less receptive to the idea of broadened ownership of businesses?

A: That depends on which part of the U.S. you're thinking of. My sense is that senior managers and executives at businesses are gradually meeting more and more peers who work at employee-owned businesses. More and more sellers are meeting peers who sold their businesses to ESOPs.

Though the movement is still slower than it might be, I think employee ownership is gradually seeping into the consciousness of the broader business community. That's partly driven by the thousands of successful employee-owned companies, but it's also driven by demographics. As baby boomers enter retirement age, they need to think about the ownership transition in their businesses, so they're having

more conversations about it, and inevitably some of those conversations lead them to consider employee ownership.

In terms of policy makers, the biggest changes I am seeing are at the state level. I think leaders in lots of states are realizing that the best way to maximize in-state jobs is to root successful businesses locally. The best job you can get is a job you already have. And employee ownership is an incredibly cost-efficient way to do just that. Employee owned businesses do better than the average business at creating new jobs, at avoiding layoffs, at generating new sales, at promoting productivity, and at creating employee wealth. It's a good deal for any policy maker, but the argument about rooting jobs in communities is, I think, especially compelling to state-level policy maker.

"Owning the whole business changes the way employees and managers think about employee ownership."

Q: What in your view are the areas of greatest threat to the growth of employee ownership in the U.S.?

A: Just like in any set of companies, there are some examples of bad employee-owned businesses. Since humans think in stories more than in statistics, and since bad stories are more captivating than good stories, I think one bad example can overcome the power of 10 good examples. That

is true among business owners, who may look at one bad outcome, like the Tribune Company, and have it weigh more heavily in their thinking than the ten successful employee owned companies that are more similar to his or her own company.

And, of course, the people in the Department of Labor understandably react to the bad stories they hear, and that may make them look more skeptically at ESOPs in general.

Q: What in your view are the areas of greatest opportunity for employee ownership in the U.S. in the current environment?

next page ►

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“I think employee ownership is gradually seeping into the consciousness of the broader business community.”

Q: How would you place the U.S. experience with employee ownership in a global/international context? Has there been a convergence or divergence

A: That's actually fascinating. I would be thrilled to have U.S. policy makers see how people in other countries react to the U.S. system for employee ownership. They want it. They want the legislative framework that we have, and they want to learn everything they can from us so they can get there.

A: We're excited about some new research projects that we're working on now. I expect that 2014 will see the creation of some amazing new sources of data that will transform the quality of the debate about employee ownership. We have also been working hard to get the concepts around employee ownership to new audiences by working with state-level organizations, trade associations, exit planners, professional associations, and every other venue we can think of.

A: Chris, thank you for yours.

OAW[illegible]

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NCEO
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Interview: Christopher Snider

Exit Planning Institute

Interview conducted by Chris Cooper



Q: Tell us a little bit about the Exit Planning Institute.

A: The Exit Planning Institute delivers innovative learning experiences, performance-enhancing resources and strategic tools designed to enhance the exit planning profession. It was founded in 2005 by Peter Christman and Richard Jackim who were both in the M&A business. Pete realized that all planning for an owner's transition was happening after the sale. He also noted no personal planning was being done at all, resulting in owners being miserable post exit. He was determined to change this. He and Rich documented their approach in a book called *The \$10 Trillion Opportunity*. In 2007 they created the Certified Exit Planning Advisor (CEPA) program which is a five-day executive MBA style program covering 22 exit planning related subjects by 12 different leading industry speakers.

Although most CEPAs are in North America, EPI has trained advisors all over the world including advisors in the US, Canada, Mexico, Australia, UK & Germany. Members come from many different professional disciplines including Financial Planning, Wealth Management, Employee Ownership, Family Business Practices, CPAs, Attorneys, Mergers & Acquisitions, Insurance, Lenders, Management Consultants.

Q: What's the EPI membership at now?

A: Membership is around 325 now. We added a general membership category which now allows non CEPAs to be members as well.

Q: How did you get started in the exit planning business?

A: I have another business that works directly with owners to help them grow and harvest the value of their business. Back in the mid 2000's I was noticing although we were driving considerable value into businesses owners didn't still seem happy and fulfilled after leaving their business. I realized after hearing about EPI that we were missing the personal and financial side of exit planning; two very critical components to a successful transition.

So, I went and got my CEPA in 2008 and became very active in EPI. I was named to the board in 2010, chaired their very first international conference in 2011 and founded the first local chapter in Northeast Ohio. I felt strongly that EPI could be a market influencer with some investment. When Pete and Rich were ready to transition in 2012 they felt I would be a good successor and approached me to purchase the company from them.

Q: Given your perspective, what trends in regards to exit planning?

A: We will see a flood of businesses coming to market in the next 5-10 years resulting in an oversupply and buyers market. EPI's 2013 State of Owner Readiness Survey, which you know about because you authored it, indicated that 75% of owners want to transition their business in the next 10 years and 50% in the next 5 years. That translates to 4.5 and 3.0 million businesses respectively and represents over \$10 Trillion in wealth transfer. Our survey indicated half of these will be inside transitions (employees, family, etc.) and the other half outside transitions (third party sales). Sadly, because most businesses and owners are not ready, the success rate is somewhere between only 20-30%. That means families could potentially lose 70-80% of their wealth in the next 5-10 years. This would be a tragedy for families, and socially and economically for our country.

The common goal among the members of EPI is to change that outcome for families. We know we can if we

"Many owners are coming to market or planning for another exit strategy and don't realize they need a couple years to get ready."



Exit
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next page ►

reach enough families with our message, processes and programs.

Q: I know that for us we saw a relative decline in transitions during the Great Recession as many business owners kind of hunkered down waiting for better times. However, we are also seeing that beginning to loosen up over the last 6-12 months or so. What are you seeing out there?

A: The youngest baby boomers turn 50 this year and that seems to be about the age that many owners start thinking about their third act (what they are going to do with the last third of their lives). Most businesses now have had a couple of improving years under their belt, and this is good for valuations. Plus, they have been able to build up some cash too. So we too are seeing a pickup in activity but it's still not enough. Many owners are coming to market or planning for another exit strategy and don't realize they need a couple years to get ready. Most really solid tax strategies take 5 years to implement.

Q: What types of transitions do you believe are likely to increase, and decrease, as the baby boomer generation looks to plan for exiting the business?

A: All of them should increase. However, I wonder if there is enough capital to handle 1.5 million business sale transactions in the next five years. And if not, will that force more owners to look at inside transitions? Today it's about 50/50 but I can easily see that swinging more towards inside transitions, including ESOPs, in the future.

Q: If you had one (and one only!) piece of advice for a business owner contemplating their succession plan, what would that be?

A: Get a business assessment and valuation done. I know that sounds self serving since those are services provided by my other company I mentioned earlier, but that's exactly what I tell owners when they ask where do I start. We have found that the whole process gets going in the right direction when

you start there. It doesn't cost that much in terms of time or money so it's not a big leap. I have found that owners who are not willing to do this are simply not serious and most likely will not be successful with their transition.

Q: What's on the Agenda for EPI in 2014 that you'd like to share with us?

A: As you know we recently announced our international conference will be September 30-October 2 in Fort Worth, Texas this year. Everyone of course should know you are

Co-Chair of the conference planning committee and I want to thank you for doing that. We recently launched a Chicago chapter giving us our fifth chapter. Plans are underway for New York City, Seattle, St. Louis, and Baltimore. Our goal is 15 chapters by 2015! We'll likely add at least one CEPA program, this year. Our next program is May 12-16 at the University of Chicago Gleacher Center right on the

river in downtown Chicago. We're also working on a Master CEPA program and several educational boot camps. And finally, we recently announced a new alliance relationship with Acuity Capital Network. Acuity works with CPA firms around the country to help them introduce exit strategy and M&A opportunities to their firms. There's definitely a lot going on.

Q: It sounds like it, and I appreciate getting to know you and EPI, and having a chance to work on a number of these projects. Thanks again for joining us.

A: Glad to do it. You guys have been real leaders in this space. You helped me launch the NEO chapter and still sit on its board. You authored the 2013 State of Owner Readiness Survey. This year are co-chairing the international conference. The OEOC and each of you individually have made a big impact on this community and are real leaders in this industry. I wish everyone was as passionate as you are about this movement. Thank you.

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10 Things You Might Not Know About Co-ops

Bob Cohen

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Though cooperatives continue to be an important part of the economy and culture in the United States, most people know little about them. In celebration of National Cooperative Month, here are 10 things you might not know about co-ops.

1. There are approximately 30,000 cooperatives in the U.S.

These include producer, consumer, purchasing and even employee-owned cooperatives. They span many industries and sectors, ranging from retail to financial services, insurance, housing, healthcare, utilities and credit unions.

2. Members of U.S. cooperatives constitute the largest block of co-op membership in the world.

With more than 305 million aggregate members, the United States ranks first in the world in cooperative membership. China is next with 161 million, followed by India with 98 million members.

3. The number of cooperatives continues to decrease.

Mostly due to merger and consolidation of existing cooperatives, the total number of cooperatives in the U.S. has been decreasing for several decades. Merging enables cooperatives to operate more efficiently and take greater advantage of economies of scale.

4. The Capper-Volstead Act is the primary federal law governing cooperatives.

In 1922, Congress passed an important piece of legislation sponsored by Sen. Capper of Kansas and Rep. Volstead of Minnesota. This act exempted farmer cooperatives from the provisions of 1898's Sherman Anti-Trust Act, which outlawed coordinated pricing among competitors.

5. Most cooperatives are in urban areas.

Out of the 30,000 cooperatives in the United States, more are found in our nation's metropolitan areas than in rural areas. These include many credit unions, retail outlets and housing cooperatives.

6. Cooperatives play a large role in the agricultural economy.

Despite the small numbers of cooperatives in rural areas, cooperatives have much more influence in the agricultural and food sectors than in any other segment of the economy.

7. There are only 2,200 agricultural cooperatives in the U.S.

According to the USDA database, 2,200 of the nation's cooperatives are designated as agricultural. But many of these are among the largest cooperatives in the nation.

8. Minnesota has the largest number of agricultural cooperatives.

Since 1900, Minnesota has had the most agricultural cooperatives of any state. Currently, 203 agricultural cooperatives have their main office in Minnesota. (So it is no surprise that Congressman Volstead of Minnesota was one of the sponsors of the Capper-Volstead Act.) Texas is a relatively close second place with 187 agricultural cooperatives.

9. The most numerous type of cooperatives are credit unions.

There are nearly 7,600 credit unions in the United States. They serve more than 91 million members and have \$91 million in assets.

10. There are 905 rural electric cooperatives in the U.S.

The membership of the National Rural Electric Cooperative Association includes 840 distribution cooperatives and 65 generation and transmission cooperatives. Together they serve a total of 42 million people. Rural electric cooperatives operate in 2,500 of the nation's 3,141 counties. **OAW**



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Interview: James Steiker

*Chairman & CEO, SES Advisors, Inc.
President: Steiker, Fischer, Edwards
& Greenapple, P.C.*

Interview conducted by Chris Cooper



Q: Thank you Jim for taking the time to talk with us today.

A: Thanks Chris—I'm a long-time admirer and participant with OEOC and it's an honor to work with you and continue John Logue's vision and energy for employee ownership.

Q: Tell us a little about SES Advisors/SFE&G.

A: We are an ESOP-centric advisory firm and a related law firm. We help companies transition to employee ownership and help ESOP companies with compliance and record keeping. SES Advisors has an ESOP and we "walk the walk" as an open-book employee-owned company.

Q: You've been doing this for a long time. How did you first get started working with ESOPs and Cooperatives?

A: Actually, true story, I was picked up hitchhiking in 1982 as a 22 year-old by a fellow driving a VW bug who ran a not-for-profit promoting employee ownership. I had an early "aha" moment. I started my career with a similar non-profit after law school and began our companies in 1987 after the non-profit went out of business.

Q: How many companies have you and your firm helped transition to employee ownership?

A: I've lost count but at least 300 personally and I'm sure our firm total is close to 1,000.

Q: How has the utilization, and perception, of ESOPs and employee ownership evolved during that time?

A: Earlier in my career, ESOPs were more of a benefit strategy for companies and a way for owners to "take a few chips off the table". The concept of a 100% employee owned company really didn't exist and there were relatively few majority employee owned companies. There was no real idea of an "ownership culture." The best part of the "S" corporation law for ESOPs passed in 1998 is the way in which it has encouraged and facilitated 100% ESOP-owned companies

and this has dragged along the idea that being employee-owned matters and is a good thing beyond simply the finance and tax advantages.

Q: On a related note, has the concept of broadened employee ownership entered the mainstream?

A: Sort of. We thought we might be having a moment in the '90s with the dot com boom and the explosion of employee ownership through stock options and the like. I think frankly that we are on a long slow climb as there are more and more successful examples. Somewhat related, we keep seeing lots of companies we have been talking to for years and years finally decide to move ahead to employee ownership.

Q: How would you assess the legal environment for ESOPs as we head into 2014?

A: Quiet but dangerous. I don't think Congress is in danger of agreeing on much and that, more than anything, protects the current good laws and incentives for ESOPs. I also think we may have seen the peak of DOL hyper-activity and hyper-scrutiny of ESOPs. While I think the DOL has missed the mark in a number of situations, I actually think the scrutiny has helped ESOPs in

the long run by making all of the players do their jobs better in the expectation that someone will in fact make sure that ESOPs are used properly and fairly.

Q: What in your view are the areas of greatest threat, primarily from a legal perspective (but generally as well), to the growth of employee ownership in the U.S.?

A: Two threats—first of all, there is always the danger that Congress, in the search for tax revenue, will eliminate tax laws beneficial to ESOP formation. Second, I think there is the threat that folks using ESOPs badly and unfairly to employees in overaggressive structures will create a negative regulatory and legislative environment.

Q: What new on the agenda for SES Advisors/SFE&G over the next year or so?

A: Our latest news is Tina Fisher's return as our Ohio office and presence. We're thrilled that she in our view "saw the light"! We expect to continue our growth by creating and maintaining great employee owned companies. **oaw**

"I actually think the scrutiny has helped ESOPs in the long run by making all of the players do their jobs better..."



Interview: Michael Keeling

President
ESOP Association

Interview conducted by Chris Cooper



Q: Thank you Michael for taking time out of your busy schedule to talk with us today.

A: Why thank you Chris for seeking my input.

Q: For those who may not be familiar with the ESOP Association, can you tell us briefly what the Association is, and what it does?

A: The ESOP Association is a non-profit, tax-exempt corporation under Section 501(c)(6) of the Internal Revenue Code. We can openly advocate for public policy, and candidates for elected office. So, The ESOP Association and its members advocates for good ESOP laws, and provides education about ESOPs and employee ownership. We have 2,500 members in all 50 states, primarily corporations that sponsors ESOPs and those who provide services to these corporations to comply with ESOP law and regulations. With revenues over \$5 million a year, The ESOP Association and its Foundation together is the largest non-profit in the U.S. dedicated to issues involving retirement saving plans.

Q: How many chapters does the Association have currently?

A: 18

Q: You are justifiably well known and well respected in the ESOP world for your advocacy of employee ownership; how did you get started with ESOPs.

A: Wow – so many in's and out's for my being involved with ESOPs. My first exposure to ESOPs was in the mid 1970's, when I was Chief of Staff of Staff to a senior member of the House of Representatives. But, I did not think much about ESOPs until my boss J.J. "Jake" Pickle visited an Austin, Texas, ESOP company and said it was really special. In late 1981, I left my congressional employment and became what is known as a lawyer-lobbyist. The ESOP

Association had just moved to DC from California, and the man in charge had known me when I worked with Mr. Pickle. He retained me for a lobbying project for The ESOP Association, and that assignment led to another and another and by 1985 I was outside General Counsel. Being around the governing body, and they were all men back in the 80's, led me to learn, like Congressman Pickle learned, that ESOP companies are special. Quickly the ESOP Association was my favorite client. In 1st quarter 1991, the governing body of the Association offered me the chief staff job; I took it; and, as they say, the rest is history.

Q: In that time frame, what has excited you the most (and concerned you the most!) about the growth and change in the world of employee ownership?

A: Most exciting is the fact that more and more ESOP companies have combined the positive desire to make "money" with a commitment to the "people" who work at their company, the employee owners. In other words, I see more of what we call "ownership culture" in ESOP companies compared to the ESOP world of the 80's and 90's. My greatest concern is the negative view of ESOPs in the financial world, and those who I call ERISAcrats, continue to think ESOPs are awful because the employees

in an ESOP have their eggs in one basket. Thus we continue to see Federal regulators, particularly at the Department of Labor, try to curtail ESOP creation, and we see financial media blast ESOPs as bad retirement savings plans.

Q: You focus a lot of your time and energy in the area of governmental and legislative support for the creation and continuance of ESOPs. What in your view is the present state of that support for ESOPs specifically and employee



next page ►

ownership generally?

A: Good among members of Congress because they often see, and feel the magic of employee ownership in their states and districts when they visit ESOP companies. Very disturbing however when the current Administration, the first in 30 plus years, takes consistent anti-ESOP positions, plus justifying its position with a broad-brushed criticism of ESOPs as being too risky for employees in companies with more than 10 or so employees.

Q: What's top on your wish list from a governmental/legislative/regulatory standpoint?

A: Number one, that when Congress reforms the current tax laws, positive laws encouraging the creation and operation of ESOPs continue. Two, that perhaps there be a modest expansion of these laws. And that DOL continues to lose its position in lawsuits challenging typical ESOP transactions, and the operation of ESOPs.

Q: It seems we live in a country that can't seem to get its elected representatives to move past partisan bickering and infighting. As someone who is based in Washington DC and who has also spent much of your professional life "in that world", have you ever seen anything like the current political

"ESOP companies have combined the positive desire to make "money" with a commitment to the "people" who work at their company..."

climate:

A: I will be a contrarian. Based on being an "inside-the-beltway" guy, I would say the political climate in Congress is

not as bad as painted by the media. The vast majority of members of Congress, left or right or in-between, are solid citizens, who sincerely want to do the right thing for our country, our people.

But my head is not in the sand, and there have been some developments which have created an aura of extreme polarization. One is the internet has enabled extremists to conclude most people think as they do, as they blog and listen to extreme media outlets, particularly talk radio, left and right. And then, these folks, who mistakenly think they are the majority, rally behind candidates for office holding their views.

Q: What in your view are other areas of greatest threat to ESOPs and employee ownership?

A: Case Law. By this comment I mean cases challenging ESOP share valuation and as is currently before the Supreme Court, making the ESOP trustee terminate the ESOP when share value declines, and become, or be, in essence the company CEO. Lawsuits, many pushed by DOL, if ruled in DOL's favor, could destroy ESOPs as we know them. Court decisions are unpredictable, especially in the employee benefits area.

Q: What in your view are the areas of greatest opportunity for ESOPs and employee ownership in the current environment?

A: To focus on the great success of the vast majority of ESOPs, to address income equality, and to spread the word that ESOPs save jobs, American jobs. It is so frustrating to hear both Democrats and Republicans say "pass laws" to close the income gap and to create jobs while they ignore employee ownership.

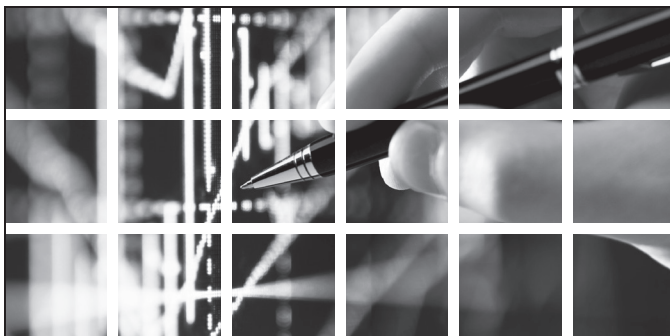
Q: What new initiatives are on the agenda for the ESOP Association over the next year or so?

A: We will continue to push for moderate expansion of the ESOP tax benefits, try to reverse the Small Business Administration's bias against ESOPs, and perhaps pursue establishing a modest bias for loans to create ESOPs, perhaps modeled after what Treasury Mourdock has done in Indiana.

Q: Thanks again for your time.

A: Again thank you. And I want everyone to know what a pleasure it is to work with you and your colleagues at the Center for a good cause: A cause for the people.

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Interview: Matt Hancock

Interview conducted by Chris Cooper



Q: Thank you Matt for taking time out of your busy schedule to talk with us today.

A: No problem. I have enormous respect for what the Ohio Employee Ownership Center has accomplished, and is accomplishing. It's a pleasure to chat.

Q: You've become known as an expert on the Emilia-Romagna cooperative model. How did you first get involved with studying that region?

A: Well, since high school, I've been motivated by two, parallel and sometimes competing drives: to become fluent in Italian and to live in Italy, and the desire to do something to make the world a better place. After I graduated college, I helped start a national student activist organization called Campus Greens. In many ways, it was a typical protest-oriented organization. We knew what we didn't like about the world, but didn't really have a vision for what we wanted the world to look like; specifically, what kind of an economy we wanted to see.

As I began to explore the economic development literature, I began to learn about ESOPs, co-ops, and experiments using pension funds to rescue factories or promote labor-friendly businesses and development. Now and then, I would read about the "Emilian" model of development, referring to the Emilia-Romagna region of Italy. It turns out that, since the 1950s, the Emilia-Romagna region of Italy has been a high wage, low unemployment, low poverty, dynamic economic system.

On the surface it seemed like a paradox: the region with some of Italy's highest unionization rates is also the most international and is regarded by multinationals as a great place to do business. The secret seemed to be a combination of entrepreneurial spirit, labor-management cooperation, networks of small, locally-owned manufacturers working together to compete internationally, and an economy anchored in employee and other forms of cooperative ownership. I thought "maybe I can have my cake and eat it too:" I can live in Italy, and do something to make the world a better place. So I enrolled in the University of Bologna's graduate program in Cooperative Economics.

From 2003 to 2006, I lived in Bologna,

Italy, and while I studied the principles of cooperative management, I also worked part-time for a regional think tank, The Institute for Labor, which allowed me access to key decision makers in policy circles, the labor movement and the region's small and medium firms. I even wrote a book about my experience studying the cooperative movement in the town of Imola called "Compete to Cooperate." It documents the history of the development of the cooperative movement, and profiles this dynamic economic system, rooted in workplace democracy, international competitiveness and the development of the local economy. Today, in this region of just over 4 million inhabitants, there are more than 2.8 million people are members of over 1,200 cooperatives, which employ 150,000 people produce 32 billion euros in revenue annually.

Q: Tell us a little about the Emilia-Romagna region. What about the culture, location, etc. made it conducive to the development of worker owned cooperatives?

A: I think the biggest factors, historically, have been geography and politics. Historically a "red" region, Emilia-Romagna has also been home to other progressive political movements since Italy's founding, from Republicans, to Mazzinians, to Socialists and Communists. All of these political parties thought cooperatives were important to their vision of the future: whether they wanted to overthrow capitalism, or develop a society based on cooperation between capital and labor, every political party promoted co-ops as a (and sometimes the) solution.

In terms of geography, most of Emilia-Romagna is flat and in the plain of the Po River. In the 1800s that meant that much of the region was swampland. You couldn't farm it, and things like malaria were a major problem. In 1882, the government in Rome passed legislation to support land reclamation in areas like Emilia-Romagna. This is where politics and geography intersect: in the region, most land reclamation contracts were given to newly-formed worker cooperatives. Once the land was reclaimed, agricultural co-ops were created to

next page ►

"A co-op exists to produce a tangible benefit for members that they couldn't otherwise find in the marketplace--and participation makes this possible."

farm the land. As a result, the regional economy developed and opportunities to create co-ops in other sectors arose. The local Central Labor Councils were also major promoters of cooperatives. In fact, many of the early cooperatives were created by the central labor council.

Worker ownership was seen as an opportunity to create jobs where there were none, or to support an organizing effort by creating competition when local employers refused to recognize a union. The union saw credit unions and consumer co-ops as important too. In addition to good jobs, the working class needed a trusted place to put their savings, and needed access to quality products at low prices. While worker ownership has its roots in pre-war Italy, there was an explosion in worker ownership post-war, as co-ops were formed to literally rebuild the region.

Worker-coops were created to do everything from manufacturing farm equipment, to cleaning the streets, to operating cafeterias. Regardless of politics, or sector, the one common theme you find in all co-ops in the region is a firm belief that the co-op doesn't belong to its members: the co-op is an asset that belongs to future generations.

While this value is today enshrined in legislation that provides preferential tax treatment to co-ops that agree to retain earnings as "indivisible reserves" (reserves that don't go into an individual member's capital account) this practice actually started in the 1800s, decades before the legislation was passed, in a credit union in Imola, the town I studied. While many Americans think the legislation is the reason for this peculiar practice, it's the other way around: values drove the law.

Q: How has its experience with worker-owned cooperatives developed?

A: Today, some of the biggest manufacturing employers in the region are worker-owned cooperatives. These firms also tend to be some of the most globalized in the region. Typically, the cooperative is a holding company, with members employed in the headquarters. The firms have globalized through acquisition: buying up competitors abroad in order to increase market share and gain access to new markets, like Asia or Latin America. Membership is not extended to employees in subsidiaries, though members typically manage those subsidiaries.

Membership in the cooperatives has changed over time: until the 70s, only blue collar workers were allowed to be members, typically. Today, membership is more reflective of the range of occupations in these firms. Membership is also typically available to management, though managers cannot serve on the board. That's another peculiarity: board membership is typically only open to members. Rarely do you see an external board member in a worker co-op. This is true self-management.

Because of the capital requirements of starting a manufacturing company, rarely do you see co-op startups in industrial sectors. New growth today tends to be in

services (everything from cleaning to web design) or the social sector. In fact, the region has a rich social cooperative movement. There are two types of social co-op. The first is straightforward employee-ownership: members are social workers or other care providers. The second type is a multi-stakeholder model, with caregivers, family members and the clients themselves enjoying memberships and positions on the board of directors. These firms focus on providing therapeutic services and employment opportunities to clients. While recently visiting Italy, I went to adjust my seat in the car I was driving, and realized that years before I had seen disabled clients in a social co-op assembling the lever that I was about to use to lower my seat back!

Q: What effect has the recent global recession had on the E-R cooperatives?

A: It depends. The co-ops that depend more on exports for revenue have continued to thrive. These firms are highly diversified, both by product and region, so they are better able to manage periods of crisis. SACMI, for example, which has three separate lines, spends a lot on R&D, and exports (and produces) in Europe, Africa, Asia, North and South America has continued to thrive. Co-ops with less product diversity and who are more dependent on the internal market (so, for example, co-ops that produce products used in construction) have suffered. None have closed, but some have had to resort to furloughs and, I believe, in rare cases to layoffs.

When I visited in December, the sentiment was that the future was bright for the co-ops that are most globalized, and less certain for co-ops whose market was primarily domestic. Leaders in the co-op movement have also expressed concern about unemployment in general, which is now over 7% (compared to 3% prior to the recession). While they are confident that the major co-ops will continue to thrive, they ask themselves who is going to provide jobs for the increasing numbers of long-term unemployed in the region? The big issue is macro-policy in Italy and Europe. With austerity still the dominant policy trend, no one is seeing bright spots on the horizon. The recession also seems to have spurred interest in converting existing firms into cooperatives. I think the Italians have a lot to learn from the folks in Ohio on this one.

Q: We are seeing an uptick in interest in the US with the Mondragon (Spain) model of cooperative development, but perhaps less so with the Emilia Romagna experience; can you provide a quick explanation of the differences between the two models?

A: The main difference is that one is a clean "model" (Mondragon) and the other really isn't, except generally speaking. In Mondragon, all of the cooperatives are members of a larger organization (the Mondragon Cooperative Corporation) that sets policy, controls financial resources and manages startups. Mondragon is

next page ►

"[T]he Emilia-Romagna region of Italy has been a high wage, low unemployment, low poverty, dynamic economic system."

also much more localized than the cooperative movement in the Emilia-Romagna region. The Emilia-Romagna “model” is broader (and includes active local government, strong business and labor associations, and thousands of small and medium enterprises) and is highly decentralized.

Autonomy rests with the individual co-op: all decisions about business strategy are made by the individual co-op’s board of directors and management. Co-ops are members of one of three federation (Legacoop, the traditionally “red” federation) is the biggest in the region. But Legacoop is more similar to a chamber of commerce in the United States. Every co-op contributes 3% of annual profits to a fund managed by the federation, designed to help co-ops expand or start new ones.

Q: Why do you think the E-R model hasn’t resonated as deeply in the US? (Or has it?)

A: I think Americans like to find a “model” to implement and replicate. I’m not sure why. I studied co-ops in Italy (including other European co-op movements) and not once did anyone use the word “model.” They talked about the unique features of different cooperative “movements” but not a model. In E-R, things are decentralized, multi-stakeholder and entrepreneurial.

Q: What lessons from the E-R model do you think are applicable for the US today?

A: It think they’ve shown how values and worker-ownership can operate within a global marketplace. They’ve shown us both the possibilities and the limits. I’d encourage American cooperators to pay attention to both the business strategies and governance models of the ER co-ops. In English I called my book “Compete to Cooperate.” What I meant is that, these cooperatives are all fierce competitors, because they know that if they don’t increase market share and stay one, two or three steps ahead of the competition, they’ll lose their ability to cooperate. You can’t generate benefits for members

and future generations if you’re not turning a profit. I think the way they’ve interpreted worker self-management in light of the global economy is interesting too.

In the US, practitioners often encourages co-ops to bring in outside board members. In the industrial co-ops in E-R this is unheard of. The board is made up exclusively of members: from white collar professionals, to engineers, to shop floor workers. The co-ops spend major resource on educating members, on preparing them to exercise their fiduciary responsibility and oversee management. Another difference is the emphasis many practitioners place on democratic decision-making in the US. The emphasis is often on the process, and not enough on the benefits of the process. A co-op exists to produce a tangible benefit for members that they couldn’t otherwise find in the marketplace—and participation makes this possible. I think that’s what the consciousness has to be around. (And this should be the yardstick used to determine if doing a co-op even makes sense.)

I think the other lesson for Americans is that we should be less reliant on legislation and policy, and find ways to implement a vision. Again, the policy followed practice in Italy. Let’s roll up our sleeves and make something happen. It’s okay if it’s messy. I think of experiences like King Arthur Flour. Though they’re an ESOP, it’s democratically managed and they’ve found a way, essentially, to turn their firm into an asset for future generations. And they did it by not following any model.

Q: Are you planning any additional work/research on the E-R model in 2014?

A: I’m not sure if I can do this in 2014, but I would like to go back and return to the co-ops and the policy makers I interviewed for my earlier book and update the research.

Q: Thanks again for your time.

A: My pleasure.

OAW

There’s something for everyone at our Pre-Conference Events

*April 23, 2014
Akron Fairlawn Hilton*

ESOP Communications Roundtable

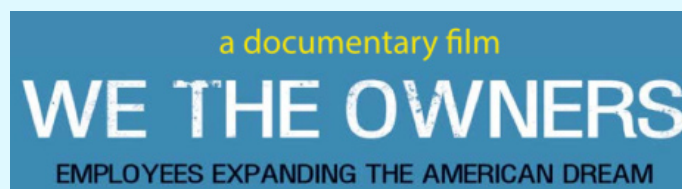
ESOP CEO/CFO Forum

ESOPs for Exit Planners

4th Annual Ohio Cooperative Forum

2014 Employee Ownership Reception

“We The Owners” Movie Showing



Visit our website for more information and registration forms.

Valicor's ESOP Program Brings Greater Trust and Increased Efficiency

Slowing down is never an option for Valicor, Inc. Since its inception, there has always been a strong desire to improve. From the continuous expansion into new territories, to the quality of service that's provided, and the drive to integrate new and innovative product lines, Valicor is always looking to be the best environmental company in the industry. One of the contributing attributes to the sustained development of the company is the ESOP program. Everyone has a vested interest in the success of company, which has led to a decrease in turnover and an increase in productivity.

Valicor Environmental Services, was founded under the name United Waste Water Services, in 1981. As the company grew, so did the types of industries that United could service. By the mid nineties, United had established itself as a quality company that put the customer first. Looking to take the next step, United needed to do something that no other company in the industry had done up until that point; they became ISO 14001 certified. Once the ISO distinction was received, they were able to gain ground in the market, because this certification implied certain environmental guarantees.

In 2004, United Waste Water Services management team decided to buy out the current owner, and merge the company with another firm out of Dexter, MI called Solution Recovery Systems. This merger formed a corporation title, United Solutions Incorporated (USI). While the two companies continued to use their original names, USI was the new holding title for the entire organization.

One of the benefits that came out of merging of the two companies was an Employee Stock Ownership Plan (ESOP). With this plan, it gave every person working at USI a vested interest in the work that they performed. Over the years the ESOP program has been a tremendous success for multiple reasons including turnover, incentives, and a drive within the company.

When the ESOP program was established, it solidified a stronger, more cohesive, management team. Since the inception of this plan, turnover within the management team has been less than 5 percent. As a result, there is a strong understanding of what each person can do, which allows the entire management team to look at any issue, and come up with a complete solution.

This has also established a trickledown effect to everyone within the company. Management has established a mentality that they are willing to be open on any topic with all of their employees. This has established a greater level of trust within all ranks of the company.

With the trust in management, and a thorough understanding that every employee is an owner, there has been a dramatic increase in efficiency within the entire organization. A culture has been established that everyone has a say in the stock price at the end of the year, and by doing a good job it will benefit everyone within the company.

Management has always taken a macro managed view when it comes to its employees. The result of this mentality and the

ESOP program has developed a high level of accountability throughout the organization. The employees take great pride in the work that they do, because they understand that it's on them to get the job done. This has created a healthy work environment that has been publicly celebrated.

To take the next step as an organization, USI decided to bring both United Waste Water Services and Solution Recovery Services together under one name, and established Valicor, Inc. UWWS became Valicor Environmental Services and SRS became Valicor Separation Technologies. In addition to these divisions, a third was established called Valicor Renewables. This division is Valicor's R&D division.

Since its inception, Valicor Environmental Services has had 50 employees become fully vested under the ESOP plan. That number will only continue to grow as the company continues to gain success. Valicor is a company that is showing tremendous development, and the ESOP program has been a huge factor in its continued advancement.

*Tom Feld
Marketing Coordinator
Valicor Environmental Services*

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