

OWNERS AT WORK

OHIO EMPLOYEE OWNERSHIP CENTER

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The Steel Crisis and Employee Ownership

A virtual sea of ink, much of it red, and much of it in Ohio, has been spilled in recent months over the crisis in the U.S. steel industry. Since late last year, four of Ohio's major steel producers, CSC Ltd., LTV, Republic Technologies and Wheeling-Pitt, have filed for bankruptcy. Over the last three years, another 14 steel companies in the United States have taken similar action. Of those eighteen, four have since emerged from bankruptcy, five have closed and nine continue operating under Chapter 11. One of those that closed was employee-owned.

Like the crisis that gripped the industry in the 1980s, the current crisis has sparked new interest in employee ownership as a way to survive.

Empire Specialty Steel, in Dunkirk, NY filed for Chapter 11 protection in late 1997 and emerged in late 1999 with the employees, members of the United Steelworkers, holding a 44 percent ownership share.

Employees have also been exploring buying specialty bar steelmaker CSC Ltd., in Warren, OH, which employed 1350. CSC filed bankruptcy in January 2001, failed to obtain debtor in possession financing, and the facility is now shut. USWA Local Union President John Kubilis says the explanation is simple: "We went down because we lost 35 percent of our customers to foreign imports."

The feasibility study commissioned by the CSC employee buyout group was positive about the viability of the modernized mill, which has a new melt shop and a new caster. The study found that full employee ownership was not a good option because working capital requirements were too great, but partial ownership with an outside equity partner could be a workable solution. Since then, leaders of Steelworkers Local 2243 have worked tirelessly to get the company back up and running with support from the state. Even though the plant is

now shuttered, the search for an equity partner continues.

How Has the Employee-Owned Steel Sector Fared?

During the previous steel crisis, more than a dozen steel companies and steel industry suppliers were bought by the employees to avoid shutdown or major job loss. Let's look at how a few of them have fared during this latest steel crisis.

Northwestern Steel & Wire, Sterling, IL, became a 59 percent ESOP in 1988. The company flirted with bankruptcy in 1992 and Steelworkers' members were forced to reduce their ownership stake to 16 percent with the rest sold to outside investors. The company filed bankruptcy again late last year and is in the process of closing as we go to press.

Erie Forge & Steel, Erie, PA, a 68 percent ESOP formed in 1990, also filed Chapter 11 in December 2000. But, unlike Northwestern Steel, it continues to operate, making 90 percent of the propulsion shafts for the U.S. Navy. According to CFO



John Fitzgerald, "The company expects to have a reorganization plan to the court by July 23."

Republic Technologies Inc., Akron, OH, filed bankruptcy in April of this year. RTI is the former Republic Engineered Steels Inc., a company that became 100 percent ESOP in 1989 as LTV sought to divest its bar division. In 1994, RESI made a public offering leaving the employees with a 54 percent ownership. In 1998, RESI became RTI in a transaction taking the company private. Although the company is no longer employee-owned, the employees did well, pocketing about \$40,000 each from a cash-out of preferred shares and the sale of the company.

Among steel industry suppliers, the crisis led directly to the 1999 liquidation of Bliss-Salem in Ohio, long the flagship of Ohio employee buyouts to avert shutdown. It also nearly sank

Sharpsville Quality Products, Sharpsville, PA, an ingot mold foundry, as well, although the employee owners succeeded in selling the company to a private buyer and it continues to operate.

Employee ownership is clearly no panacea in a price collapse. Without employee ownership, however, these companies would never have made it as far as they did. Even at Northwestern Steel and Wire and Bliss-Salem, the two which closed, employee ownership preserved jobs for more a dozen years. Wages and pensions were earned. Local economies benefited. Company internal performance improved.

But the current problems of the steel industry are not problems that can be solved at the company level. They are industry problems; they are external; and they are the result of unfair trade practices—both those we officially recognize, like dumping, and those we still officially ignore.

We won't be able to ignore them in the future if we are to retain an internationally competitive economy.

What Has Caused the Steel Crisis?

Some blame the crisis on overcapacity in U.S. factories, inefficient operations and high wages. In reality, the U.S. steel industry does not even have the capacity to meet domestic needs if it operates at 100 percent utilization. Second, America's steel mills rank right at the top in output per manhour. Third, wages for U.S. workers are comparable to those in Belgium, Germany, Japan and Sweden, which used to be major competitors. We should be proud that American wages are not comparable to many of our current competitors like Russia, Brazil and Korea. So, what are the real causes? What should be done about them?

Cause 1: Foreign producers illegally "dump" steel, that is, they sell it at prices below their production costs, often aided by government subsidies when their domestic markets turn sour. They sell it in the United States, the largest, most lucrative market in the world, creating the havoc we've been experiencing for the last three years.

Our mechanisms for dealing with this—industry complaints, long investigations and hearings, slow rulings and extended periods for compliance—are too cumbersome to be remotely effective. We need "fast-track" dumping relief.

Cause 2: There is overcapacity in the global steel industry when times are bad elsewhere. And they turned very bad in Asia following the currency crisis in 1997-98; in Russia with the collapse of the ruble and the banking system in August 1998; and in South America with the Brazilian economic debacle in 1999. Since their own markets could not support their production, these countries turned to the U.S. market.

One consequence of these events was a series of currency devaluations against the dollar. Devaluation is a powerful weapon in global trade wars. For example, when South Korea

Our mechanisms for dealing with this are too cumbersome to be remotely effective. We need "fast-track" dumping relief

devalued its currency by 40 percent in 1997, its exports to the United States became 40 percent cheaper. What a competitive advantage!

Since 1997, every major steel producer in the world has devalued its currency against the dollar. These sweeping devaluations are arguably the single most important cause of the misery the American steel industry has endured in the last three years. We need to develop an automatic policy of temporary countervailing duties to compensate for such predatory devaluations.

Cause 3: The Federal Reserve System keeps interest rates in the United States far higher than European or Japanese rates. Currently, U.S. banks lend to their best customers at 7.0 percent (the prime rate). The equivalent rate in Europe is 5.65 percent. In Japan, it's 1.5 percent. For years, United States interest rates have been 3-7 percentage points higher than our European and Japanese competitors. American manufacturers thus have to pay far higher interest on borrowed money than their counterparts in other industrial democracies.

If American steel producers could borrow at Japanese interest rates, none of them would be filing for bankruptcy. It seems clear that's not in the cards, but The Emergency Steel Loan Guarantee Act of 1999 authorized \$1 billion in federal loan guarantees for this very purpose; that's the good news. So far, there have been 14 applications, but only one has actually been implemented. That's the bad news. CSC Ltd. in Warren was unable to convert its \$60 million guarantee into a loan because the banks were unwilling to take the risk. We need to fix this legislation pronto to stop the foot-dragging by the banks.

Cause 4: Because the industry has shrunk in employment (one result of massive investments in modernization), costs for retirees' benefits have become an increasingly large problem. By contrast, our European competitors finance those costs from the public budget, and generally pay for them from value-added taxes, which they then rebate to exporters. This is hardly a level playing field.

National health care would help to level the

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 Cleveland Foundation, the Ford Foundation, and the United States Information Agency as well as contributions from Kent State University, *Friends of the Center*, and the companies that comprise Ohio's Employee-Owned Network.

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field and improve Americans' health in the process. However, we saw how far that got under President Clinton. At a minimum, we need legislation to require corporate funding for retiree health care, as federal law now requires for pensions.

Cause 5: Most competitive advantages for steel producers in Third World countries consist of virtually nonexistent occupational health and safety standards, abysmal environmental protections and company unions when there are any unions at all. Those conditions are bad for workers in those countries and they are bad for workers in the U.S.

Russian and Ukrainian steel companies, for example, regularly finance operations simply by not paying workers for six to nine months. You don't need a Ph.D. in economics to understand that not paying employees their wages is a predatory practice in the competitive global market.

We need a policy of countervailing duties on imports from companies that maim and kill their workers, poison the environment, and don't pay their employees to boot.

General protectionism is a costly answer, but it is what we will end up with unless we develop systematic policies to respond to the distortions and predatory practices on the global economic playing field.

What's Happening Inside the Beltway?

There can be no question that America's steel industry is essential to our economy and vital to our national security. There is also no question that the domestic steel industry has already been badly damaged by unfairly traded imports. Once you lose your steel-making capacity, you can't just snap your fingers and get it back. Millions of Americans are employed in steel and related industries and some regions of the United States are heavily dependent on the health of the domestic steel industry.

Mounting pressure on the President from both the steel industry and the steelworkers' unions led the Bush Administration to announce June 5 that it would ask the U.S. International Trade Commission to begin a Section 201 investigation. If the USITC, an independent investigative agency, finds that imports posed a serious threat to the health of the domestic industry, the President could restrict imports for a period of up to four years. While a welcome change in policy, it is not a quick fix. It could take eight months before the industry sees relief. This is only the fourth time a president has initiated a Section 201. **One was**

for stainless steel; the other two were for apple juice and mushrooms.

On the legislative front, the U.S. Steel Revitalization Act, sponsored by a majority of members, is being debated in the U.S. House of Representatives. A companion bill has also been introduced in the Senate. This measure would legislate a steel import quota, impose a tax on steel shipments to fund retiree costs, improve the Steel Loan Guarantee Program and promote industry consolidation while encouraging the retention of workers and domestic steel production capacity.

The National Steel/Aluminum Retention Initiative

What to do about the political "hot potato" that is the steel industry is being argued in Congress, in the government's executive agencies, and in Cabinet meetings with the President. One by-product of the crisis and the upsurge of interest in em-

ployee ownership is the National Steel/Aluminum Retention Initiative. Known by its initials as NSARI, this program is the result of the leadership of Congressman Tom Sawyer of Ohio. The program provides initial technical assistance to steel and aluminum companies exploring employee ownership. NSARI can be a valuable weapon in the fight to maintain a viable steel industry in the United States.

NSARI has supported the CSC employee buyout effort, as well as employee buyout efforts at two steel industry suppliers in Ohio: Ceilcote in Cleveland and Thermatex in Newton Falls.

Fallout from the steel crisis and bankruptcies has hit such companies hard as well. In all these cases, funding for preliminary feasibility analysis has been provided through the Rapid Response Unit of the Ohio Department of Job and Family Services.

NSARI is administered by the Ohio Employee Ownership Center at Kent State University. To provide support and preliminary technical assistance to buyout efforts in the steel and aluminum industries, the OEOC has assembled a national network of non-profit and public sector partners with experience in the employee ownership approach to job retention. The program also can provide technical assistance to existing employee-owned companies in efforts to avert shutdown or major layoffs. Obtain more information by visiting our website: www.kent.edu/oec/NSARI.htm. **OAW**



Steelworkers protest, Warren, OH, May 14, 2001

Thinking Globally, Acting Locally

Subnational strategies to promote employee ownership

John Logue

What are the prospects for employee ownership in the future? Past articles in our continuing series have looked at Louis Kelso's economic theories, future U.S. legislative prospects, the Mondragón cooperatives in the Basque country, and a collection of bold new ideas for spreading capital ownership drawn from the Capital Ownership Group (COG), a Ford Foundation online think tank on broadening capital ownership worldwide. Also drawing on the COG discussions, John Logue focuses on what can be done by public and private organizations at the state and local level.

Broadening ownership is a global issue, but there are strong reasons why its implementation requires action at the local or regional level: state and provincial legislative measures can encourage expanded ownership; regional and local programs are efficient providers of technical assistance to those seeking to implement employee ownership; and public and private local action can encourage the creation of collaborative company networks, training cooperatives, and employee-owned suppliers.

COG's subnational discussion group canvassed existing subnational governmental, non-profit and for-profit initiatives, selected best practices worthy of dissemination, and proposed innovations in order to promote the expansion of employee ownership. This summary looks at what public and private subnational actors can do to promote employee ownership through (1) state legislation, (2) technical assistance, (3) local actions, (4) investment funds, (5) company networks, and (6) using the economic power of employee-owned firms in their communities.

Subnational Public Policy

Subnational political units can encourage employee ownership within their jurisdictions. The United States and Canada have taken the lead in this area. In the United States twenty-eight states have passed some sort of legislation encouraging employee ownership since 1974. Such measures run the gamut from policy declarations to substantial financial commitments. They include tax credits, exemption of Employee Stock Ownership Plans (ESOPs) from state securities regulations, legal recognition of workers' cooperatives, earmarked loan funds and loan guarantees, interest rate subsidies, funding for or the direct provision of technical assistance, establishing state employee ownership centers, and using employee ownership in privatization of state services.

New initiatives proposed in the COG subnational discussion include:

- States could provide tax credits to companies for setting up more participatory ESOPs with benefits on a sliding scale varying with the percentage employee-owned.
- States can encourage electrical consumer co-ops in electricity deregulation.
- States can enact legislation giving employees the right to purchase facilities being shut by companies abandoning that line of business, or, more aggressively, giving employees

right of first refusal on plants being put up for sale.

- States can enact preferential bidding for government contracts for employee-owned firms, as is done for cooperatives in France and Italy.
- A preference for employees in privatization can be provided as Virginia, North Carolina, Russia and some Eastern European countries have done with varying degrees of success.
- Partial employee ownership can be created within some or most public enterprises by simply paying employees a small capital wage in stock and underpinning ownership with dividends when the enterprise is profitable.
- States can require that citizens have partial ownership rights when companies exploit publicly owned natural resources. For example, the Alaska Permanent Fund distributes oil royalties to citizens. Why not do the same for other profitable public services—publicly owned utilities, parking garages, etc.—at the state or local levels when those streams of income are sufficient to be divided?

Technical Assistance and Support Organizations

Organizations which provide information, technical assistance, and training for employees seeking to purchase companies help broaden and deepen ownership. They can be governmental units, not-for-profit organizations, sectoral organizations, for-profit consulting firms, or national programs implemented locally.

State programs. During the latter part of the 1980s and early 1990s, seven state employee ownership programs (Hawaii, Massachusetts, Michigan, New York, Ohio, Oregon, and Washington) were established. A quasi-state entity—the Steel Valley Authority—provides similar services on a regional basis in Southwest Pennsylvania. These programs focused on outreach and assistance to union locals in plants facing shutdown and to retiring owners who might be interested in selling their companies to their employees. A study of three of these programs—New York, Ohio, and Washington—found them to be quite effective in increasing the rates of ESOP formation in their states.

Reviving state programs which have been defunded and creating new ones is clearly a viable ownership-broadening strategy.

Non-profits. A dozen or so regional not-for-profits promote employee ownership in the United States, Canada, Mexico, and the United Kingdom and a number of local non-profits do the same. In addition, a few general purpose economic development

Envisioning the Employee-Owned Future

organizations have developed special employee ownership competence.

Generally speaking, single-purpose employee ownership organizations require a relatively large catchment area; otherwise they have to broaden their scope of activities beyond employee ownership to prosper. In smaller states and localities, it makes sense to train economic development organization personnel in the appropriate uses of employee ownership.

Sectoral strategies. An alternative to a geographic focus is a sectoral employee ownership strategy. Several organizations have undertaken to promote employee ownership in the United States within particular economic sectors: daycare, homecare,

20 to 30 state, regional, and sectoral employee ownership programs that would effectively cover the country.

Action at the Local Level

Why should we limit ourselves to actions by state, provincial, or regional governmental entities? Much can be done to encourage broader employee ownership by municipalities, unions, and charitable and religious organizations. Among the proposals made during the COG process:

- Municipal or local economic development authorities can establish industrial parks for employee-owned companies and for other high performance companies with joint training facilities, cooperative day-care and food service.
- Municipal governments can give preference in purchasing to employee-owned firms as is the case in Northern Italy, aiding the growth of production cooperatives there.
- The Catholic hospital system can use its institutional strength to replicate New York's Cooperative Home Care Associates, creating better jobs and ownership for home health care aides and improving care for the homebound.
- Local churches can encourage employee ownership through their purchasing and through social justice work within their congregations.
- Sale of religious or public hospitals to for-profit chains could be made contingent on their contracting home health care, janitorial services, and other services to employee-owned firms.
- Community foundations, educational institutions and churches can receive stock from local companies (charitable contribution at stepped up basis for donor) and create a market by selling to employees.
- Unions can negotiate contract language that gives their members the right to buy facilities put up for sale or right of first refusal at the time of such a sale.
- European and American universities concerned with the use of sweatshop labor in garments carrying their logos could require their production in worker-owned businesses, a positive screen more easily enforced than the current negative screens.
- A coalition at the provincial level between traditional cooperatives (agricultural, rural electric, mutual insurance companies, credit unions, consumer co-ops, etc.) and the employee-owned sector has dramatically increased the rate of cooperative formation in Quebec. (See Luc Labelle, "Development of Cooperatives and Employee Ownership, Quebec Style," *Owners at Work*, Winter 2000/2001, pp. 1, 17.)

Employee Ownership Financing

Should there be special financing institutions for employee ownership? Opinion is divided. Some feel that it is salutary for employee-owned firms to utilize market financing sources: commercial banks, asset-based lenders, venture capital funds, and the bond market. Others argue for a separate financing stream for the employee-owned sector. Over the years, a variety of

State and regional employee ownership assistance efforts could be multiplied for a tiny fraction of the cost of Federal tax expenditures for ESOPs

temporary services, and the steel industry. Other employee ownership sectoral initiatives could be encouraged by trade associations, labor unions, and by the agricultural cooperatives in rural areas.

Private sector consultants. Private sector consultants outnumber public and non-profit staff specializing in employee ownership in the United States by perhaps 50:1, and are largely responsible for the rapid growth of the ESOP sector. Can their efforts be channeled toward broader and more democratic employee ownership?

For example, the growing evidence that participatory employee-owned firms outperform non-participatory employee-owned companies could encourage lenders to urge participation to improve debt service coverage and trustees to insist on employee participation to maximize value for ESOP participants.

An employee ownership extension service. One of the most successful American innovations in economic development is the Agricultural Extension Service. For decades it has been transferring research results, knowledge and technology from the lab to the family farm. The Department of Agriculture's rural development specialists already have the mandate to support cooperative development—including worker cooperatives—in rural areas. Creating an extension service for employee ownership, to supply technical and organizational development assistance to smaller firms, could be tested and developed at the state level; and then spread by Federal matching funds.

Maximizing leverage. State and regional employee ownership assistance efforts could be multiplied for a tiny fraction of the cost of Federal tax expenditures for ESOPs (more than \$3 billion annually in the 1990s). Only \$5 million annually in Federal matching funds—less than 2/10s of 1% of the tax expenditure for ESOPs—would probably lead to the establishment of

public and private financing mechanisms for the employee-owned sector have been launched with mixed success.

State loans and loan guarantees. In the U.S., thirteen states have established loan funds, loan guarantees or interest rate subsidies specifically for ESOPs or explicitly authorized the use of state loan programs for ESOP companies. The effectiveness of such programs has varied. Earmarked employee ownership lending funds have generally been rolled into other economic development loan funds because these small pots of money were either underutilized or overdrawn. On the other hand, both below market interest rates and public sector lenders' willingness to subordinate their loans to commercial lenders seems to have played a significant role in supporting employee purchases of troubled and/or divested plants and firms. Loan guarantees—which are very cheap for the public sector—seem to have been underutilized.

A national bank with a preference for employee ownership with regional intermediaries. Since the New Deal, the agricultural cooperative sector has been underpinned by specialized Federal lending institutions. So has home ownership. The National Cooperative Bank, established during the Carter administration as a specialty lender for housing, consumer, and worker cooperatives, has begun to support regional cooperative lending funds, like the Northcountry Cooperative Development Fund. They serve as regional intermediaries for the NCB, working with local borrowers who are too small to be serviced efficiently from Washington.

Special purpose local or regional loan funds for employee ownership. The Caja Laboral Popular, a financial institution which is part of the foundation for the Mondragón cooperatives in the Basque region of Spain, is a consumer cooperative—a credit union—with a special mandate for investing in worker cooperatives. With assets in excess of \$7 billion, it has become one of Spain's biggest financial institutions.

The Caja Laboral provided the financing to grow the Mondragón cooperative complex from a handful of co-ops in 1959 to its current size of about 25,000 employees in the industrial sector with sales of more than \$3 billion and 26,000 employees in the retail sector with sales of more than \$4 billion in 1999. Credit unions and mutual insurance companies could be encouraged to play the same role elsewhere as the Caja Laboral does in the Mondragón region.

Private sector venture capital funds. Several national venture capital funds have been created in the United States with a preference for employee ownership, including Churchill Capital's Churchill ESOP Capital Partners, Keilen and Company's

KPS Special Situations Fund, and American Capital Strategies. All together, they have raised about \$1 billion from conventional venture capital sources. Each has, however, found itself doing more non-ESOP transactions than employee ownership deals.

Judging from their experience, the employee ownership market is not big or lucrative enough to be a niche for venture funds specializing purely in employee ownership.

On the other hand, every venture capitalist wants to exit. Employee ownership venture funds may create more owners at the time they sell their equity than in the initial transaction. One promising idea is to encourage conventional venture capital funds to consider employee ownership as an exit strategy. This idea would appear to be potentially viable in all countries with significant venture capital markets. The real question is how to educate venture capitalists about this possibility.

One obvious possibility is to offer a small tax break.

Regional labor-sponsored venture capital funds. The Canadians have developed a very different means of raising venture capital. Pioneered by the Quebec Federation of Labor in the early 1980s, Canadian labor-sponsored investment funds use provincial and Federal tax credits to entice employees to place some of their retirement savings in venture funds which anchor capital locally. Rates of return are comparable to the historical average for the market, rather than the 35-40% rates of return sought by Wall Street venture funds. Quebec's Solidarity Fund has grown into the largest single source of venture capital in Canada, and there are labor-sponsored investment funds in six of Canada's ten provinces.

Manitoba's Crocus Fund has added a preference for employee ownership to its investment criteria. Crocus is a friendly investor with the employees, partnering

with employee owners in purchasing or growing employee-owned businesses, and Crocus's preferred exit strategy is to sell its equity stake to the employees.

This model could easily be replicated outside Canada, and several organizations are already seeking to do that. They include Framtid i Norr, a fund being established by the trade unions in the north of Sweden, and the Industrial Heartland Investment Fund in the US. Both are designed as vehicles for union pension fund investments and for other institutional investors, rather than for individual pension investments, as in the Canadian model.

An ESOP partnership fund? Existing employee-owned



Father José Maria Arizmendiarieta, founder of the Mondragon cooperatives, in the courtyard of Mondragon University.

companies could set up their own equity fund to invest in partnership with employees in existing and new employee-owned enterprises. This employee-owned company investment pool could also become a financial institution for employee-owned firms more generally, including securitizing the debt of ESOP companies to lower interest costs and extend terms.

Building Company Networks

Existing employee-owned firms tend to be islands unto themselves. One positive step is to associate them as archipelagoes, and to build linkages between them that would strengthen them individually and as a group. Three different models from three countries provide evidence that such linkages are productive.

The Mondragón Co-operative Corporation in the Basque region of Spain is perhaps the most outstanding company network in any Western economy. This network of firms owned by their employees now comprises one of the largest industrial groups in Spain with more than \$3 billion in sales; it is among Spain's top ten exporters, selling 47% of its production outside Spain in 1999. The Mondragón cooperatives' retail group does an additional \$4 billion in sales; it ranks number three in the Spanish retail sector. All in all, the Mondragón cooperative network constitutes the seventh largest closely held business in Spain and employs more than 53,000.

The average size of a Mondragón co-op is quite small—most are less than 500 employees—but the network of more than 110 firms provides large scale economies for the small enterprises, including a common financing source (the Caja Laboral Popular), joint research and development services, a broad range of joint health and social services, a strategic management group that can support managers in existing enterprises that are under strain, and both technical training for employees and a university-accredited management training program.

Manitoba's Crocus Fund has established its own network to improve the performance of the enterprises it invests in. To achieve this end, the Crocus Fund has embarked upon an ambitious program of using networking to do three things. First, it has a CEO "club" with regular meetings where CEOs of Crocus investee companies share their experience. Second, it provides business training for employees. Third, it has developed, with the University of Manitoba, a management training program for investee companies that trains managers in high performance workplace practices.

Ohio's Employee-Owned Network is a dues-paying association of about sixty companies staffed by the Ohio Employee Ownership Center to provide joint training services. It provides 20 to 24 days of courses to more than 500 employee owners annually. About half the programs are designed for shopfloor employees. Other courses are designed for supervisory employees, those who administer ESOP plans, and managers. One result is that participating companies learn best practices from each other and benchmark themselves against each other. ("Company Networks Improve Performance," *Owners at Work*, Winter 2000/2001)

A recent study found that Ohio Network member companies

systematically outperform other Ohio employee-owned companies which did not take part in networking activities.

The Employee-Owned Firm in the Community

Individual employee-owned companies can do a great deal to broaden ownership in their communities.

- Employee-owned companies can use their economic clout to broaden ownership locally. They can choose to buy from neighboring employee-owned companies and they can choose to support the development of additional employee-owned suppliers. And they can buy local firms and convert them to employee ownership, through direct ownership or creating a holding company.
- Well established employee-owned companies with ample management resources can undertake to manage an incubator for new employee-owned firms. Such firms could provide accounting, purchasing, and management support for recently established employee-owned firms. As these firms became better established, direct support would shift to mentoring.
- Many existing employee-owned companies work with local schools to provide coop jobs, internships, job training, and apprenticeships. Those school-to-work programs can be expanded by including ownership principles, participation, understanding business basics, and other knowledge and skills that create an interest in and basis for broader ownership in the future.
- Existing employee-owned companies can act jointly to create local company networks. These networks can share common facilities, jointly purchase supplies, create employee benefits like health and dental insurance, or provide other joint services to their employees.

Other possible joint steps might include establishing multi-employer ESOP plans for firms which use the hiring hall model for employment, such as construction firms, setting up a marketing label for products of employee-owned companies, and establishing an internet top domain ".esop" for electronic commerce as the co-operatives have done with ".coop."

Dealing with the widening gap in income and wealth globally clearly requires action at the transnational and national levels. At the same time, we know that most of us live and work in an entirely different world: that of our company, our local community, our church, union local and civic organizations or, occasionally, our state or province. There is an astonishing amount to broaden ownership that can be done by each of us today where we live and work.

Together, the combination of our small steps can yield large scale change.

Summaries of the results of the Capital Ownership Group discussion can be accessed on the COG website (<http://cog.kent.edu>) or requested in hard copy from the OEOC, 309 Franklin Hall, Kent State University, Kent, OH 44242 or by e-mail from OEOC@kent.edu. OAW

ESOP Association's 9th Employee Owner Retreat

The ESOP Association's annual national Employee Owner Retreat will be held near Chicago, at the Indian Lakes Resort in Bloomingdale, Illinois. It will again be staffed by the Ohio Employee Ownership Center.

The Retreat is a three-day, off-site training seminar, where non-managerial employee owners learn from and interact with their peers from other ESOP companies. In small groups, structured exercises, and informal discussions, employee owners develop new team problem solving skills, become more knowledgeable about ESOPs and company financial statements, and gain a new perspective on employee ownership at their respective companies.

While any employee owner is welcome, the program is designed primarily to give hourly and salaried **non-managerial** employees an opportunity to learn *with* and *from* their peers. Typically these come from outstanding ESOP companies, both service and manufacturing, where developing a culture of ownership is considered an important aspect of corporate success. Participants are often members of the board of directors, ESOP committees, problem-solving teams, and company trainers.

PAST PARTICIPANTS' COMMENTS:

"I think all employees should have the chance to go through this; this way they can hear from other companies and see how they work with ESOPs and make it work!"

"I learned more this weekend than I ever expected. Now I can look through our summary plan and actually understand it!"

"It's a great experience!"

Sending 2 to 4 co-employees maximizes the effectiveness of the retreat experience.

Do you want your firm's employee owners to:

- *Recharge their enthusiasm*
- *Meet other employee owners*
- *Participate more effectively*
- *Better understand ownership*



They can do all this and more at the ESOP Association's 9th Annual

EMPLOYEE OWNER RETREAT

INDIAN LAKES RESORT

Bloomington, Illinois

August 3 – 5, 2001

Chicago Area

20 minutes from O'Hare International Airport

*Training conducted by the
Ohio Employee Ownership Center*

SCHEDULE: The Retreat kicks off with registration and a box lunch at **Noon on Friday, August 3rd** and concludes at **1 p.m. on Sunday, August 5th**.

COST: **Members of the ESOP Association** pay **\$495** for first participant; **\$375** for additional participants, meals included. **Non-members** of the ESOP Association pay **\$675** for the first participant and **\$500** for each additional participant.

LODGING: Call Indian Lakes Resort, **630-529-0200** to reserve a **\$129** room (can be used as a double).

TO REGISTER: Call the OEOC, Dan Bell, **330-672-3028**.

Together We Stand Stronger

Employee Ownership and the Cooperative Sector

Paul Hazen

At the OEOC Conference on April 6, 2001, in Akron, Paul Hazen, President and CEO of the National Cooperative Business Association, talked about the shared visions and practical benefits of collaboration between employee-owned businesses and agricultural and consumer cooperatives. Historical experience shows that helping other companies is often a part of successful employee ownership and that mutual aid contributes to the long-term vitality of the employee-owned sector and the individual firms in it.

There is a natural alliance between the employee ownership sector and the cooperative sector. We have much in common—we share many of the same goals and many of the same challenges. There can be no doubt that by working with your partners in the cooperative sector, you can create new business opportunities and increase your clout. Our experience in the cooperative sector has shown that when groups of like-minded businesses like ours work in partnership for mutual benefit—no matter how different our individual lines of business may be—we can achieve results well beyond our expectations.

First, let me tell you a little bit about NCBA. We are the only national cross-industry membership association representing all types of cooperatives ranging in size from small buying clubs to businesses included in the Fortune 500. Our members operate in industries as diverse as housing, healthcare, finance, childcare, agriculture marketing and supply, energy, telecommunications, purchasing, food and consumer goods and services. But they have one thing in common—they are all cooperatives. As the membership association that links them together, NCBA's mission is to develop new cooperatives, advance public understanding of cooperatives, and protect existing cooperatives.

Both employee-owned businesses and cooperatives share a lack of complete public understanding about what our businesses are, and what benefits they provide the public and consumers. We can work together to help educate the public, the media, and our lawmakers about why our unique business structure matters.

Cooperatives are fortunate in this area because we've been around a long time and we have tens of millions of members. But we have a long way to go before the public fully understands cooperatives for what they are—a unique, distinct and strong sector of the economy. One of NCBA's goals is to make sure that happens. Unlike the investor-owned sector, the non-profit sector, or the government sector, the cooperative sector is based on a foundation of principles and values that focus on empowering people. To be a member of a cooperative is to be an owner of that cooperative, either as a worker, a customer, or a supplier. And that adds value.

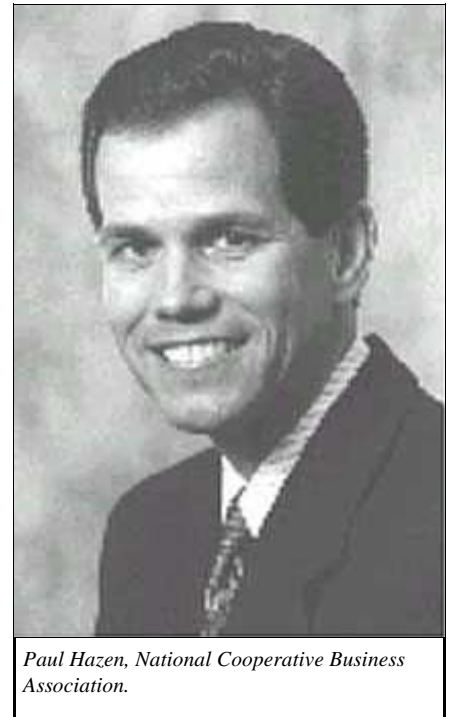
Here's one of the many things co-ops and employee-owned businesses have in common. Cooperatives are all about **owning** the solution to whatever challenge the co-op was created to address. The role that real people play in producing the products and services we sell can be a competitive advantage. The same holds true of employee-owned businesses. Reams of research

and polling data clearly show that co-operatives can gain a competitive advantage by marketing their cooperative values and by marketing the people who stand behind their products. One farmer-owned orange juice cooperative, Florida's Natural, has trademarked its slogan: "We own the trees. We own the land. We own the company." Its sales have grown dramatically in recent years as a result of that campaign. The same concept underlies the credit union marketing campaign that uses the slogan "where people matter more than money."

They found that the public—**your** customers—identify with, and trust, businesses owned and operated by real people. Customers feel better about buying a product from someone they relate to, rather than from some faceless investor. And they recognize that an ownership culture in any business produces a better quality product. Both cooperatives and employee-owned businesses stand to profit from this. This is one of those areas where co-ops and employee-owned businesses can collaborate. We can and should market the value that our unique structure brings to our products and services. Our businesses are about people.

Let me tell you a little bit more about co-ops. If you're from the country, you probably know about agriculture and electric co-ops. If you come from the city, you're familiar with food or housing co-ops. All of you are probably familiar with credit unions.

But there are so many other types, sometimes it even surprises me. Today in the U.S., there are over 48,000 co-ops with over 120 million members that represent 40 percent of the U.S. population. Credit unions make up a large portion of those num-



Paul Hazen, National Cooperative Business Association.

bers. In the last five years, U. S. credit union membership grew from 60 million to 80 million people, in part due to new services such as home mortgages, business loans, retirement programs, and electronic commerce that credit unions can offer. It's also due to a strong customer belief, borne out by market data, that credit unions provide better service at a fairer price than do for-profit banks.

Of course, the 1,000 electric cooperatives—part of the rural heritage of this country and a mainstay of the cooperative community—not only continue to provide power to rural areas, they've launched an innovative campaign to brand the community value of consumer-owned electric cooperatives. The brand is "Touchstone Energy," and its slogan is "the power of human connections." You may have seen their ads on television.

Because those electric co-ops are owned by their customers and work directly in the community they serve, they provide

In a time when many are also losing faith in democracy, employee ownership and cooperatives demonstrate to people that democratic institutions can still work and deliver tangible results.

quality and service that few other businesses can boast about—with the exception, of course, of other co-ops and employee-owned businesses.

Cooperatives also provide new solutions for independent business owners who too often get squeezed by large corporations that have greater purchasing power and integrated distribution channels. Today, purchasing cooperatives—some 300 of which exist nationally—combine the buying power of a large number of small businesses so they can compete in the market place. In short, they make the small players big. Purchasing co-ops now exist for owners of fast food franchises, industrial and construction supply companies, educational services, small town pharmacies, and home furnishing stores, among many others. Working together, the co-ops' owners can negotiate national purchasing contracts, provide e-commerce opportunities, and create brand recognition. The well-known company Carpet One is actually the Carpet Cooperative of America, a purchasing co-op owned by 800 small businesses. With annual sales over \$2 billion, it is the largest retailer of carpeting materials in the U.S. Without purchasing cooperatives, many small businesses in this country would have gone under years ago.

Of course, agriculture is one of the industries in which cooperatives are best understood, producing brand name products such as Ocean Spray Cranberries, Blue Diamond Walnuts, and Land O'Lakes butter. These large cooperatives have thousands of farmer members. But a new type of cooperative—known as a new generation cooperative—is gaining ground across the countryside to help farmers regain control and increase their income. These co-ops tend to be smaller than their more well-known counterparts and not only process commodities, but also direct market them to consumers to cut out the middlemen. They turn

wheat into pasta and bread, corn into ethanol, crop stubble into construction materials, and so on.

They succeed, in part, because they require more investment of capital from their members than more traditional cooperatives—up to 40 percent of the total capital required comes from the farmers. That commitment and investment mimics the ownership culture of employee-owned business. The members have a vested interest in the success or failure of the company. Within the past five years, farmers have organized over 250 new generation agriculture cooperatives.

Of course, one type of cooperative I haven't mentioned, which is part of the employee ownership sector, is the worker-owned cooperative. There are around 200 such employee-owned cooperatives in the U.S. that are very similar to the businesses represented in this audience. NCBA worker-owned cooperative members include the Burley Design Cooperative, a bicycle manufacturer; Beluga Software, a computer applications firm; Equal Exchange, a gourmet coffee distributor; and Cooperative Home Care Associates, a worker-owned home health care agency in New York City. Because workers directly benefit from a successfully run, profitable business, the co-op is able to provide high quality products and services that reflect the ownership culture. Also like other employee-owned businesses, worker-owned co-ops often make use of outside capital. That external capital creates management challenges and limitations on the returns to the worker-owners.

The growth in these new types of cooperatives—purchasing, new generation and worker cooperatives—reflects a demand for new tools to help people control their economic destiny. The recent economic boom benefited those already making high incomes much more than it did lower and middle income households. In a time when many are also losing faith in democracy, employee ownership and cooperatives demonstrate to people that democratic institutions can still work and deliver tangible results.

One huge challenge both employee-owned and cooperative businesses face, though, is the lack of equity capital to start and grow our businesses. As more and more money flows into the stock market, ample capital resources are made available to larger public companies. Smaller businesses, especially those that primarily obtain equity capital from their employees and members, are restricted in their sources of capital.

Because of these limitations, many cooperatives, employee-owned enterprises, and other mutual companies have converted to conventional investor-owned businesses in order to raise the kind of capital they need to expand. Many people around the world are seeing businesses they invested in, built, and once controlled, lost to big investors in this disturbing trend of demutualization. Fortunately, though, not all businesses are resorting to this option.

Some are rethinking the way they have always operated and creating innovative solutions to the challenges they confront. Some have tinkered with their capital structures in order to tap new sources of equity capital without surrendering their basic principles and values. One example is Nationwide Insurance, a mutual insurance company that has abided by cooperative principles since its founding by Ohio farmers 80 years ago. Nationwide created a new stock company and sold a small portion of its assets to capitalize that company. This new corporation

brought millions of dollars in new capital to Nationwide and enabled it to expand into new areas of business.

Another example is Mountain View Harvest Co-op, one of the new generation farmer co-ops I spoke about earlier. This co-op could not accommodate the increasing consumer demand for the baked goods it was producing without expanding. But to expand, it needed more capital. Instead of converting to an investor-owned company, it formed a partnership with another farmer co-op, Farmland Industries, to capitalize a new venture and expand into new markets.

NCBA works with its members and other organizations to explore new sources of equity capital for cooperatives and other businesses that do not have ready access to venture capital. We work to make connections between cooperatives that can provide innovative solutions. And last year, we worked with Senators Craig of Idaho and Harkin of Iowa to introduce legislation that would establish a new public-private equity fund for all businesses in rural areas.

We want to work with employee-owned businesses to create other new sources of equity capital and additional resources that our businesses need to survive and thrive in an increasingly competitive global market. I read many good articles in the pub-

lication, *Owners At Work*, published by the Ohio Employee Ownership Center. An article in a recent issue highlighted a few great ideas for spreading capital ownership, including labor-sponsored investment funds. A few Canadian provinces offer tax credits to individuals investing in these funds that invest in locally owned and controlled businesses. We would welcome the opportunity to work with employee-owned businesses to establish tax incentives for similar funds in the United States.

We also want to find other ways to collaborate. Cooperatives have found that working together has made us stronger even though, to the uninitiated, a rural electric co-op and an urban housing co-op may seem to have little in common.

We will no doubt find that if cooperatives and employee-owned businesses work together to profit from our consumers' trust, to solve our shared economic challenges, to find new ways to expand our businesses, and to develop new educational and training resources, we will grow stronger still.

Paul Hazen can be reached at National Cooperative Business Association, 1401 New York Ave., N.W., Suite 1100, Washington, D.C. 20005, phazen@ncba.org. OAW

We want to work with employee-owned businesses to create other new sources of equity capital and additional resources that our businesses need to survive and thrive in an increasingly competitive global market.

OEOC and Ohio Council of Cooperatives Launch Joint Committee

The cooperative movement—agricultural cooperatives, consumer cooperatives, credit unions, mutual insurance companies, and similar organizations—and employee-owned companies share a common commitment to broadening ownership. And they share a commitment to more democratic decision making in the economy.

For some months, the Ohio Employee Ownership Center (OEOC) and the Ohio Council of Cooperatives (OCC) have been discussing the possibility of undertaking joint initiatives. The result: a unanimous agreement by the OCC and by the OEOC's Advisory Board to establish a joint committee to explore what can be done together.

This committee includes OEOC Executive Committee member Nancy Cronin, International Affairs Director for the Port of Cleveland Authority; OEOC Director John Logue; OCC Executive Coordinator Tom McNutt; OEOC Advisory Board Co-chair Dave Scott, CEO of Dimco-Gray, a 100% employee-owned diversified manufacturing firm in Centerville; OCC President Dan Walski, General Manager of the Luckey Farmers' Cooperative;

and OCC Trustee Janice Welsheimer, from Nationwide Insurance, one of America's leading mutual insurance companies.

"We are really looking forward to partnering with Ohio's employee-owned companies," OCC's McNutt told *Owners at*

It's exciting to imagine what we can do together.

Work. "This will create opportunities to coordinate educational events and other activities between our organizations. I hope that we get a broader base for meeting the educational needs of people who belong to both organizations."

"The cooperative movement is a key part of the economic infrastructure of Ohio," says OEOC's Logue. "Those of us working with employee ownership have a lot to learn from what the cooperatives have achieved and how they have achieved it. It's exciting to imagine what we can do together." **OAW**

2001 Ohio Employee Ownership Conference

"Cooperation, Participation, Ownership: Imagining a Better Future"

Over 340 participants attended the 15th Annual Ohio Employee Ownership Conference on April 6th at the Hilton Akron/Fairlawn in Fairlawn, Ohio. **Riley Lochridge**, President and CEO of Akron-based **ComDoc, Inc.**, delivered a captivating morning plenary entitled, "People + a Strong Sense for Ownership and Development = Success." Lochridge's presentation highlighted the manager's role as a mentor and the responsibility of all employees to strive to reach their learning potential. In this capacity, ComDoc has been in the forefront of maintaining a unique learning environment.

ComDoc is an \$80 million document solutions firm providing consultation and document products and services to markets in Northeastern Ohio, upstate New York, Western Pennsylvania and West Virginia. The company is committed to building a culture of open communications and employee involvement. Lochridge said that one of his "proudest achievements" was "launching an Employee Stock Ownership Plan (ESOP) which has produced dramatic results from any measurement perspective - profitability, customer satisfaction, partner satisfaction and sales growth." Under Lochridge's leadership, ComDoc has become an employee ownership success story. Its annual sales have grown 600%, the employee base has tripled to 525, and stock valuation has risen from \$5.25 per share to \$129.00 per share.

Paul Hazen, President and CEO of the **National Cooperative Business Association (NCBA)** was the luncheon speaker. The NCBA is the umbrella national organization for farmer, consumer, and worker cooperatives. Hazen is a leading national advocate of using cooperatives in community and economic development. He is directing a major legislative effort to secure new sources of equity funding for the nation's rural cooperatives, which have difficulty financing expansion and new ventures, and to create a national development program for new urban cooperatives. (See the text of Hazen's speech on page 9)

After Hazen's speech, the **2001 Ohio Employee Ownership Awards** were presented to Ohio companies and individuals who have demonstrated exceptional leadership in making contributions in employee ownership.

Ted Thieman, the **Thieman Family**, and **Employee Owners at THT Presses** were honored for *Getting (Their) ESOP Off to a Good Start*. On February 29, 2000, company founder Ted



Highlights from the Conference (clockwise, L to R): Riley Lochridge shares the ComDoc experience; Roger Elder and Paul Russell from Will-Burt exchange ideas; Conference participants gather for the morning plenary (and breakfast, too!); Congressman Tom Sawyer inspires the crowd; Dean Caldwell, Carl Butler, Laurie Reynolds, Dale White, Mike Thieman, and Ted Thieman.

Thieman sold 49% of his shares in THT Presses of Dayton to the ESOP. The 43-employee firm is an innovator in casting equipment for the electric motor and auto industries. As family member and current CEO Mike Thieman recalls, "the whole emphasis for my father is giving something back for all the hard work and dedication of this company's long-time employees." Learning and innovation are important traditions at THT Presses. In that spirit, an ESOP Committee was set up immediately. The Committee is structured on a rotating basis so that each employee will share responsibility for learning and innovation through the ESOP.

Gledhill Road Machinery and **I.A.M. & A.W. Local Lodge 1151, District 54** were honored for *Laying the Founda-*

Ownership Conference

Imagine What We Can Accomplish Together"



ete Martelli accept Republic Storage System's award for staying the course; Karen Thomas from the OEOC and Andrea John Laub, Marilyn Bibb, Dave Shipps, and Amanuel Andebrhan of THT Presses celebrate getting their ESOP off to a Mike Rarick, and Ray Walters helped to lay the foundation of Gledhill Road Machinery's ESOP.

tion for Cooperation Through Ownership. With a unanimous vote of support by the forty-plus employee members of the International Association of Machinists and salaried employees, the vision of employee ownership laid out by Gar Gledhill is being built in a spirit of cooperation with hope for a bright future. Gledhill Road Machinery has developed a comprehensive strategy for employee involvement and education. Earl Gilkison, Business Representative for IAM District Lodge 54, sees the ESOP as the "opportunity of a lifetime for the employees. Gar Gledhill really wants to keep jobs here in Galion. With low turnover and many employees with 20-plus years of seniority, they now have a light at the end of the tunnel."

Republic Storage Systems Company and USWA Local

2345 were honored for *Fifteen years of Staying the Course Toward Labor-Management Cooperation*. In June, 1986, Republic Storage Systems of Canton became Ohio's largest 100% employee-owned firm when local management and members of the **United Steelworkers of America (USWA) Local 2345** purchased the business from LTV. The company builds lockers, industrial shelving and storage systems. Fifteen years of experience with various structures of joint labor-management partnership has been a learning process to change the traditional adversarial relationship to one of increased cooperation around common ownership and goals and joint structures for governance and participation.

Throughout the day, the conference offered 16 expert panels including technical presentations on selling shareholders and organizing employee buyout groups, as well as interactive panels for employee-owners, human resource managers and CEOs. **Randy Leffler** from the **Ohio Manufacturers' Association (OMA)** led a panel on **Developing Your ESOP Committee** where employee-owners, **Jeff Peecook** from **The Ruhlin Company**, **Mike Rarick** from **Gledhill Road Machinery**, and **Lucy Zauner** from **Joseph Industries** explored the mission, purposes, and strategies of their companies' ESOP committees.

A panel on **Building A Culture of Employee Ownership** explored how ESOP firms promote employee ownership, including processes for new employee orientation. **Sheila Henderson** from **YSI**, **Riley Lochridge** from **ComDoc** and **Lorna Zeller** from **The James B. Oswald Company** reviewed the importance of employee development, communication, participation and celebration.

Another very popular panel for selling shareholders was **"Is an ESOP Right for Me? Practical Considerations for the Small Business Owner."** This panel, moderated by **Gerry Meyer** from the **Growth Capital Corporation**, helped business owners explore the use of an ESOP as a succession strategy. Legal, tax and valuation issues were discussed, and **Bob Kraft**, **CEO of Kraft Fluid Systems**, shared his experience in setting up an ESOP.

We thank everyone who made this year's conference the largest employee-ownership event in the region and we look forward to seeing everyone for next year's conference on Friday April 12, 2002. **OAW**

Ohio's Employee-Owned Network 2001 Program Schedule

ESOP Summer Institute

June 18-22

Kent State University

Training sessions for ESOP communication, financial training, ESOP administration, and trustee roles. Participating individuals & committees may register for one, two, three, or more sessions.

ESOP Communication Committee Training **Monday, June 18**

A training session for committees and teams responsible for communication and education to promote the ESOP and an ownership culture at their firms.

Basics of Communication & Sharing Information **Tuesday, June 19**

How do you open communications? What kinds of business information should you share? How do you build employee owners' business understanding and commitment.

Making Financials Fun **Wednesday, June 20**

Participants learn how to share financial information and how to educate others to understand financial information.

Making the Numbers Meaningful **Thursday, June 21**

Participants learn about key performance indicators and several basic tools of financial analysis. Concepts include the operating cycle, working capital, cash flow and ratio analysis.

ESOP Administration Update **Thursday, June 21**

Repurchase funding & payouts, valuation, and your issues and concerns.

Leading and Managing Owners: Making Financials Fun

What do employees need to learn about business to be effective employee owners? This session will explore fun and interesting ways to educate and train people who may possess little or no financial background.

September 18
September 21Kent
Dayton

Sharing Our Successes Forums

August-Sept.

TBA

Employee-Owner Leadership Development Retreat

Provides nonmanagerial participants with the knowledge and skills to participate in making their ESOPs successful. Interactive team learning activities teach the basics of ESOPs, team meeting skills, team problem-solving processes, and the basics of understanding business financial reports.

- * Recharge enthusiasm
- * Participate more effectively
- * Learn about ESOPs
- * Understand financial information
- * Meet other employee owners

October 18-20

Atwood Resort

Leading and Managing Owners: Team-Building & Team Communication

How do you organize teams and manage team relationships? This session will explore key elements in building teamwork and 'esprit de corps' through effective employee communication, recognition, and reward sharing.

November 13
November 16Kent
Dayton

Board, Trustee, & ESOP Administration Committee Training

Focus on fiduciary roles and major responsibilities, ESOP repurchase obligation, and valuation issues.

December 6

Kent

*For more information or to register to
participate in these Network events call
Karen Thomas at 330-672-3028*

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Tax Bill Retains Sub-S ESOP, Expands C-Corp Deductions and Benefit Limits

The much-discussed tax cut bill of 2001 (Economic Growth and Tax Relief Reconciliation Act, HR 1836) cleared the U.S. Congress on May 26 and was signed by President Bush on June 7, 2001, with favorable provisions for ESOPs intact. The pro-ESOP changes were introduced and supported by Senator John Breaux, Democrat of Louisiana; and Representatives Nancy Johnson, Republican of Connecticut; Rob Portman, Republican of Ohio and Democrat Benjamin Cardin of Maryland. The legislation allows companies to deduct ESOP dividends, even when employees reinvest them in the company. The limits on what employees and employers can contribute to a defined contribution plan are raised, making it easier for ESOPs to be combined with a 401(k) plan. The vesting schedule is accelerated. Small companies at last gain tax relief for the costs of setting up an ESOP or other retirement plan. The act also places checks on the abusive use of ESOPs without eliminating their benefits.

Michael Keeling, President of the ESOP Association, writes, "This legislation is landmark legislation for ESOPs, and there is literally no prior legislation in US history that is as positive for ERISA plans, such as ESOPs."

Limits on contributions to retirement plans are generally raised. The total amount that can be contributed to a plan has been raised from \$35,000 to \$40,000 per year. The law raises the cap on company contributions to non-leveraged ESOPs from 15% of wages to 25%.

Employees will welcome an accelerated vesting requirement for employer stock contributed as match to 401k plans, including through an ESOP. Cliff vesting must be completed after three years instead of five, and graduated vesting must start at 20% per year after the second year of service, so that the plan is fully vested at the end of the sixth year of service, instead of the seventh.

At last the heavy cost of plan administration has been ad-

dressed. For small employers with less than 100 employees, the government's user fees are waived for the letters of determination which approve retirement plans. And a 50% tax credit is provided for the first \$1,000 of costs in the first three years of creating a 401(k) or ESOP plan.

The bill permits the employer to deduct dividends paid to employees if the employee voluntarily reinvests the dividends in the ESOP, as well as preserving the deductibility of cash dividends or dividends used to pay off the ESOP loan.

By defining what constitutes abuse of S-Corporation ESOPs, the bill alleviates fears of charges of tax evasion. Under the new law, abuse can happen only if the ESOP gives most of the benefits to a small controlling group. This will protect legitimate S-Corp ESOPs.

If, in a particular year, more than 50% of the company's stock and options are owned by "disqualified persons"—individuals who own at least 10% of the shares or a group of family members who own more than 20% of the stock and options—that year is a "non-allocation year." In a "non-allocation year," there is a heavy excise tax on the company: 50% of any dividends paid to the "disqualified persons." In addition, the owners who are "disqualified persons" have to pay personal income tax on the dividends.

The Secretary of the Treasury can also trigger the excise tax where the ownership structure constitutes an abuse of the tax benefit provisions. Sub-S ESOPs formed after March 14, 2001, must comply with the anti-abuse provisions immediately. Plans formed before that date have until December 31, 2004.

Other provisions in the law raise the contribution and salary limits for 401(k) plans.

All in all, the tax provisions will help ordinary employees and managers to set aside more towards retirement, and allow their employers to raise their matching contributions. **OAW**

Become A Friend of the Center

The OEOC is midway through its fifteenth year of service to people like yourself who are interested in employee ownership. As a reader of our newsletter, *Owners At Work*, you know the Center's commitment to retaining jobs, anchoring capital in our communities, and educating employee owners. Whether we are working with retiring owners, employee buyout groups or existing employee-owned companies, the OEOC staff is truly dedicated to serving the needs of others.

Over the last 14 years, we've helped more than 11,500 workers buy 57 companies. In 2001, we ran 15 different training programs for the 60 companies of Ohio's Employee-Owned Network. Every day our staff helps to build a more just—and more productive—economy through employee ownership. Although our efforts are supported by the State of Ohio and a few private foundations as serving an important economic development role, in recent years we've been asked to do "more with less." Consequently, we are turning again to grass-root support from the folks who know us on a more personal level. We hope you will become a "Friend of the Center" by making a **tax-deductible** donation to help the OEOC continue providing quality services. Your individual contribution will help the Center to continue serving the community.

Checks should be made payable to: **KSU Foundation / OEOC**

Ohio Employee Ownership Center 309 Franklin Hall Kent State University Kent, Ohio 44242

From Mondragón to Ohio: Building Employee Ownership

John Logue

*The Mondragón cooperatives in the Basque region of Spain have become the largest employee-owned business in the world, employing more than 50,000. **Owners at Work** described their impressive success in its Summer 2000 issue (on the web as "Envisioning Employee Ownership-Part 2 [<http://dept.kent.edu/oeoc/pandr.htm>]). In April, 2001, John Logue, Alex Teodosio and Jackie Yates from the OEOC staff visited Mondragón in a group sponsored by the Cooperative Charitable Trust. What can Ohio employee-owned companies learn from Mondragón's unique style?*

When asked "why we can't develop something like the Mondragón cooperatives in Ohio?" in the past I always replied, "because we just don't have enough Basques."

A week in Mondragón taught me not to be so flip. The Mondragón cooperatives have their roots in Basque nationalism and in Catholic social and economic teaching, but their survival, growth, and prosperity in an increasingly globalized economy are the product of structural factors and capital consolidation that have nothing to do with nationality or religion.

Instead it has a lot to do with structural integration among cooperatives, particularly through the Mondragón Cooperative Corporation, and through its central financing institution, the Caja Laboral which, in effect, is a credit union for cooperatives.

There are about 115 cooperatives in and around the town of Mondragón. By and large they are small businesses, employing an average of 225; the outlier is a large retail grocery co-op which is jointly owned by its 25,000 employees and its customers. Unlike small employee-owned companies in the United States, however, the Basque co-ops have pooled their resources through the Mondragón Cooperative Corporation. This creates economies of scale and financial resources that enable them to support weaker co-ops or those caught in economic downturns and to compete aggressively in the new global economy.

Capital consolidation

The Mondragón co-ops have consolidated themselves in terms of capital to a far greater extent than American ESOP companies. This is true at two levels.

At the level of the individual co-op, each year the internal account system used by the cooperatives allocates a portion of the retained earnings—the "patronage dividend"—to the accounts of employees who worked in the co-op. The rest of the retained earnings goes into a collective account owned by all the employees. While the individual accounts are withdrawn at retirement, the collective account remains a part of the core financing of the cooperative. In effect, it is an asset bequeathed by each generation of employee owners to their successors.

Employees receive annual interest paid on their internal accounts. The interest payments currently are 6.5%. The larger the internal account the individual employee has, the greater the annual interest payment to the employee.

This system is fundamentally different than the American ESOP system which vests the entire value of the business in the hands of individual ESOP participants and pays them out in full for their shares when they retire or leave the company. First, the Mondragón system pays out only the individual employee's portion of retained earnings, which is not the full retained earnings

of the business. Second, retained earnings reflect the book value for the company rather than market value. That generally understates the real value of the business based on its earnings power.

The consequence is that Mondragón co-ops are able to finance themselves internally to a significantly greater extent than American ESOP companies and have less call on their resources to repurchase accounts of retiring employees.

At the level of the Mondragón Cooperative Corporation, the cooperatives maintain policies which enable them to support each other when one is in difficult circumstances. The co-ops have their own financing institution, the Caja Laboral. This central Cooperative Bank provides financing for working capital and for new investments. It is owned by its depositors, which are primarily employee-owned enterprises and their employee owners. The Caja Laboral has become one of Spain's largest banks with over \$7 billion in assets.

Having a cooperatively owned financial institution creates a separate sector for cooperative finance that makes capital available at commercial bank rates. It clearly lowers the overall capital costs for the cooperatives while providing all of them a security net in the form of a friendly lender.

Employment guarantee

One of the virtues of the financial consolidation of the co-ops is their ability to offer employment security.

From the average employee's point of view, the greatest advantage of being a member of one of the Mondragón cooperatives is the fact that membership confers a lifetime employment guarantee. Of course Mondragón worker owners can be terminated for cause or can choose to seek other employment. However, should your co-op fail for financial reasons, you are guaranteed employment in another Mondragón co-op.

This employment guarantee provides real security for individual employees. It doesn't prevent having to move to a new cooperative, but it does prevent members from ending up in long-term unemployment or having to seek a job flipping hamburgers. And employees can move to other co-ops for career advancement.

This employment guarantee would not be possible without the cooperation among the co-ops or without their collective commitment to flexibility and entrepreneurship.

Responding to globalization

The Mondragón co-ops grew up in the 1950s, 1960s and 1970s behind the high tariff walls which sheltered Spain's economy. Spanish entrance into the European Union—the European Common Market—was a rude awakening. After a crisis of confidence ten years ago and substantial institutional redesign, they

found their niche in the broader European market only to have economic globalization strike in a new form: global competition in their core industries. This hit the co-ops in two ways.

First, the co-ops were subjected to increasing competition in what had been their protected home market. This was particularly true in the retail market, where small scale was the norm.

Mondragón's retail grocery chain found itself being overwhelmed by the internationalization of the Spanish grocery trade. The co-ops concluded that either they should get out of the grocery business entirely or they would need to expand massively to compete head on with foreign competition moving into their market. They chose the latter. Backed by the financial capacity of the Mondragón Cooperative Corporation, including the lending capacity of the Caja Laboral, the Eroski grocery co-op has developed explosively. It has added a chain of hyper markets which resemble Wal-Marts. The Eroski chain has become Spain's third largest grocery retailer, and it is the largest domestically owned. It employs some 25,000.

Second, to compete globally, Mondragón co-ops have begun an aggressive globalization strategy of their own. They have acquired or built from scratch twenty-six plants, largely in Spanish-speaking Latin America, and expect to double the number by 2004. Those plants sell into their host country markets and surrounding areas, generally buying some parts from the Spanish parent. They are not, however, displacing Spanish employee owners from their work. The Mondragón industrial cooperatives number among Spain's top ten exporters.

The co-ops' globalization strategy has created some major disputes around the issue of whether and how to include foreign employees in the cooperative structure as owners. To date, foreign employees are just that: employees. However, inclusion of foreign employees in the cooperative structure is on the agenda.

Developing new employee-owned companies

The Mondragón Cooperative Corporation supports co-op development through a non-profit center to encourage product diversification and innovation in existing co-ops, product cooperation between co-ops, and establishment and incubation of new co-ops. Most new co-ops grow from current co-op members' ideas for new businesses or through business plans developed by students at Mondragón's University. The Caja Laboral provides the seed capital.

This approach has a number of advantages. First, it avoids concentration in any declining industry in crisis. Second, it develops synergies between existing and new co-ops. Third, it focuses new cooperatives on new and expanding lines of business.

There are high costs associated with business start-ups in

Mondragón, just as elsewhere. But the technical assistance structure in Mondragón is clearly superior to what is available to most new businesses in other locations. Consequently the Mondragón survival rate is higher: 80% over the last 15 years.

What can we learn?

I went to Mondragón prepared to conclude that the Mondragón model was unique to the Basque country. If we didn't have any Basques, then we were out of luck.

I came back persuaded that the Mondragón model for capital accumulation creates companies that are more stable financially than our ESOP model. It also puts more back into the community. And the Mondragón co-ops are probably better prepared to compete in the new global economy.

Let's talk about capital first. The Mondragón model says that companies are created not just by current employees and cannot be owned fully just by current employees. They are created by previous generations of workers, and it is important for the current generation to be a good steward so that there will be jobs for the next generation.

This is very different from the "just wait until we get a good merger offer—we'll be rich!" mentality that characterizes some American employee-owned companies.

Further, Caja Laboral—the co-op bank—provides financing for expansion and for new cooperatives. In harder times 10 years ago, its lending and its co-op solidarity helped struggling co-ops make it.

Second, the Mondragón co-ops put more back into the community than we expect ESOP companies to do. They get a special tax break—they pay 20% of

profits in taxes rather than the usual corporate rate of 32%—provided they donate at least 10% of earnings to charitable educational, cultural, and other non-profit purposes; these help fund Mondragón's university and cooperative development. How many American ESOP companies—even Sub-S corporation ESOPs that don't pay any Federal income tax at all—put 10% of their profits back into the community for charitable and educational purposes?

Third, the economies of scale that the Mondragón cooperatives have achieved through their collaboration enable them to be highly competitive in the global economy despite the small scale of the individual cooperatives.

Visiting Mondragón encouraged me to envision an Ohio employee-owned sector with more cooperation among employee-owned firms, more involvement in the community, a common commitment to expanding employee ownership, a commitment by firms to incubate new employee-owned companies, and the creation of more joint institutions, including joint strategies for responding to economic globalization. **OAW**



Delegation sponsored by the Cooperative Charitable Trust with HR Director Jesus Mari Labayan outside Fagor refrigerator plant in Mondragón.

Ownership for All: International Conference Promotes Employee Ownership

Strategies for countering the trend toward increasing concentration of wealth throughout the world were the subject of an international conference convened at Kent State University May 6-8. An assembly of scholars and activists from 13 countries was hosted by the Capital Ownership Group (COG), a Ford Foundation project to study employee ownership solutions to the problem of capital concentration. COG is an online think tank which conducts discussions among a worldwide network of thinkers. The website also contains a library of articles and links to numerous other sites on employee ownership (<http://capitalownership.org>).

In the U.S., "the wealth of the top one percent of households exceeds the wealth of the bottom 95%," noted author Jeff Gates, who made the case for the problems created by capital concentration. Furthermore, 86% of the stock market gains between 1989 and 1997 flowed to the top ten percent of households, and almost half of that (42%) to the top one percent. Worldwide, disparities between the rich and poor are even more dramatic. The UN Development Program reports that 80 countries have per capita incomes lower than a decade ago and the wealth of the world's 84 richest individuals exceeds the gross domestic product (GDP) of China's 1.3 billion people. What is more, Gates pursued, if just a small part of annual economic growth were directed to helping ordinary people become economically productive, the world's most appalling poverty could be quickly alleviated. For example, if the more than \$8 trillion now sheltered in offshore corporations were taxed at the rate of just 3.5% (much less than its growth rate), it would raise \$280 billion, almost all of the \$300 billion researchers at Cambridge and Sheffield Universities estimate is needed to "save the planet."

Keynote speaker Juan Guillermo Espinosa reported that Chile's economic history, and that of Latin America generally, is a tale of "wild fluctuations which have ruined the local economy," due to larger and more volatile financial markets, and drastic changes of government. Espinosa, Professor of Economics and Development at the University of Chile, argues that "rapid withdrawals of international investment funds have fundamentally shaken the Chilean economy, causing economic recession, significant losses of production, and catastrophic impacts on employee ownership." Even though employee ownership could anchor capital and provide some protection from international financial markets, Chile's efforts to create it have been weakened by three dramatic changes of government, each of which has substantially shifted the terms of employee ownership. Each new government failed to provide support during the difficult transitions.

In China, by contrast, the national government has taken a hands-off approach to employee ownership, leaving it to regional, county and local governments to privatize state-owned enterprises, reported Gongyun Situ of the China Institute for Reform and Development. On their own, the regions and localities have adopted a wide variety of approaches. The smallest of

these, the township and village enterprises (TVEs) have been exceptionally successful, growing rapidly in many areas, while larger state-owned enterprises still under central control languish or even lose money.

Employee ownership is making a little progress in being accepted by unions, reported Vic Thorpe, former General Secretary of the International Federation of Chemical, Energy, Mine and General Workers' Union (ICEM). International unions have been fighting against the "race to the bottom" for at least two decades, but, like U.S. unions a dozen years ago, they are only beginning to view employee ownership as a viable strategy to

The UN Development Program reports that 80 countries have per capita incomes lower than a decade ago and the wealth of the world's 84 richest individuals exceeds the gross domestic product (GDP) of China's 1.3 billion people.

protect workers worldwide. The emergence of a single market in Europe and the phenomenon of globalization have created an opportunity for unions and an urgency to their agenda of social justice. Among his recommendations, Thorpe included a conference on worker ownership specifically targeted to unions.

World Bank economist David Ellerman gave the conference a powerfully different vision of ownership. "Who is the company?" he asks. Is it absentee shareholders? Or is it the people who work there and make the company function? If the people are the company, they should have control and a share of the profits made from their efforts as a matter of human rights, he argued.

Australian employee ownership expert Shann Turnbull proposed two new means of financing and promoting employee ownership. One method is using the central bank to create new money by making loans for employee buyouts. Another is the ownership transfer corporation (OTC), where investors would receive a substantial tax benefit or pay no taxes at all in return for turning new ventures over to their employees after a specified time period. Turnbull reasons that investors of venture capital like to take their profits and move on, and since they are going to sell the business anyway, why not use tax incentives to encourage them to sell to employees?

The conference papers are available on the internet (<http://cog.kent.edu/CogStrategyConf6-8May2001/StrategyPapers.htm>).

To follow up on these and other ideas and present them to policymakers, COG plans a conference in Washington, D.C., October 9-11, 2002. **OAW**

Business Owner Succession Planning Program

The Ohio Employee Ownership Center (OEOC) has been teaming up with the **Greater Cleveland Growth Association's Council of Smaller Enterprises (COSE)** and the **Cleveland Advanced Manufacturing Program (CAMP, Inc.)** since 1996 to provide a comprehensive series of succession planning seminars to area business owners. The Succession Planning Program helps business owners plan for succession by exploring a wide range of options.

Participants receive *An Owner's Guide to Business Succession Planning*. This manual presents clear and concise step-by-step succession planning techniques. A directory of local service providers, worksheets, selected readings and presenter packets will also be provided. Owners have the opportunity to ask technical questions and interact with other business owners.

This program is an effort to retain jobs that would otherwise be lost from failure to plan for succession. Each seminar runs from 8:00 a.m. - 10:00 a.m. at CAMP located at 4600 Prospect Avenue in

Cleveland. **Registration for each seminar is limited to the first 40 business owners who sign up.**

The cost is \$25.00 per seminar or all five seminars for \$85.00. Parking is free and breakfast will be provided. Directions will be faxed prior to each seminar.

To register or for more information, please contact:

Alex Teodosio at 330-672-3028

or

ateodosi@kent.edu

Fall 2001 Business Owner Succession Planning Seminars

October 11: <i>Business & Estate Issues in Succession Planning</i>	Charles F. Alder & James Vail Schneider, Smeltz, Ranney & LaFond
October 25: <i>Financial Transactions: Maximizing the Value of Your Business</i>	Neil Waxman Capital Advisors
November 1: <i>Maintaining Family Harmony Through Business Succession Under Current Tax Reform</i>	Richard Tanner The Koptis Organization
November 15: <i>Valuation: How Much is My Business Worth?</i>	Loren Garruto Valuometrics, Inc.
November 29: <i>Selling to Your Employees: Employee Stock Ownership Plans</i>	Carl Grassi McDonald, Hopkins, Burke & Haber

Kent State Orders Logo Products from Co-op

Kent State University President Carol Cartwright announced on May 6 the University will explore purchasing the products carrying the University's logo from Equal Exchange, a Massachusetts-based worker-owned cooperative which buys from farmer-owned workshops and farmer cooperatives in developing countries and ensures that the profits go to the workers who make the products. The announcement kicked off a three-day conference hosted by the Capital Ownership Group on using employee ownership to distribute wealth more widely. Equal Exchange, the first U.S. company to officially adopt European fair trade standards, is committed to working directly with democratically-run cooperatives so that the benefits of trade actually reach the producers. They are committed to paying fair prices, providing credit to help workers and farmers out of debt, and encouraging ecologically sustainable farming practices. Founded in 1986, Equal Exchange began with coffee imports, including organic shade-grown coffees, paying a premium to farmers who follow cultivation practices which better preserve the environment and the tall trees which are home to billions of migratory birds from North America. Beginning with sales of its coffee in cooperative food stores, Equal Exchange has grown to have sales of \$7.2 million in 1999. **OAW**



KSU President Carol Cartwright with Clark Arrington, Chairman of the Board of Equal Exchange

Crocus Fund Grows in New Directions

For the last several years, Owners at Work has been following the development of Manitoba's Crocus Investment Fund. Crocus is a Canadian labor-sponsored investment fund with a preference for employee ownership. Our continuing coverage shows Crocus going beyond simply favoring employee ownership through investment. With growth and early returns from its investments, Crocus is now planting the seeds for long-term growth in its region by creating the first management training certificate just for employee-owned companies, by sponsoring a nonprofit organization to create quality jobs for the poor, and by leading downtown revitalization in Winnipeg.

The Crocus Investment Fund, started from nothing in 1993, today manages over \$200 million Canadian in IRA funds from over 30,000 working Manitobans. Its growth has enabled it to go beyond straightforward investment to help Manitoba. It has begun to build a network of mutually supporting institutions which will aid the entire community—a university management program, a project to develop really good jobs for low income people in the province, and an urban revitalization initiative. With all these projects, Crocus is scoring well on the “double bottom line”—financial performance and social investments. It focuses on provincial development, favors employee ownership in its investments, and prefers employee ownership as an exit strategy. It currently has \$137 million invested in 60 companies, resulting in 9,644 jobs created.

First University-based Certificate in Participative Management

In a first for employee ownership in North America, Crocus led development of a university-based management training program for employee-owned companies. The University of Manitoba offers the Certificate in Participative Management, which now boasts its first six graduates. The 200-hour curriculum emphasizes the development of skills needed for a participative management style and the development of company-specific action plans for employee participation. Topics covered include participative management, communication, conflict management, decision-making, employment law, employee ownership, project management and financial management. Participants are sponsored by their employers and must develop a participation action plan for their firm as part of their studies. For more information, contact Joyce Rankin (jrankin@crocusfund.com) or 204-925-7781.

Community Ownership Solutions

To foster economic development and create quality jobs for low-income Manitobans, Crocus has founded, staffed, and provided initial funding for Community Ownership Solutions (COS), a registered charitable organization. COS aims to create new businesses of 50 or more employees, supplying “natural markets” for goods and services in local, provincial, national and international venues. It will also work with established businesses to enhance and transform their business cultures for greater employee empowerment and better performance.

At the core of the COS mission are specific goals for the next 10 years, including the creation of 1000 quality jobs, with above average pay and benefits, a well-defined career advancement process, access to company financial information, opportunities to use that information to improve company performance, and employee ownership or profit-sharing.

High-quality products or services are to be a priority for

COS firms, to raise the standards for competing companies and benefit consumers as well as employees. “We believe that the most important determinant of a quality product or service, is a quality job,” declares the COS organizational description. COS

“We believe that the most important determinant of a quality product or service, is a quality job.”

also plans to provide and facilitate training and workforce development activities.

Another priority for COS is creating linkages among the new firms to strengthen and support them. The Participative Management Certificate Program (University of Manitoba) will be a source of management talent, and Crocus' CEO Roundtable will provide mentoring for leaders. COS will also collaborate with “social entrepreneurship” organizations which emphasize community economic development, neighborhood improvement, and micro-lending. Several of these partners are already signed up.

Pre-feasibility assessments have been completed in 15 business areas, including modular housing construction; repair, maintenance, cleaning, security and protection services; project and property management services; construction, site preparation, renovation, and retrofitting for energy efficiency; office administration; and light industry. The Charles Stewart Mott Foundation has provided a grant for preliminary activity.

Revitalization in Winnipeg

Crocus' latest activities include leading a Winnipeg revitalization project underwritten with public sector pension funds. Joint committees are working on feasibility studies now, looking at a dozen locations and identifying tenants. As a model and showcase for the project, Crocus has taken a long-term lease in a six-story “heritage” (landmark) building, which is being renovated for mixed use, with three floors for Crocus, two floors for arts organizations, including a music school, a dance studio and a folk festival. One floor will be used for loft apartments. Additional plans include a technology building for the local community college and a hockey arena. Susan Hart-Kulbaba, Director of Labour Services, says, “Government is already on board and we are working with the pension plans. The bits and pieces are pulling together.” **OAW**

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OWNERS AT WORK

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Summer 2001

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UPCOMING NETWORK EVENTS – 2001

ESOP Summer Institute

June 18-22 Kent State University

Sharing Our Successes Forums

August-Sept. TBA

Leading and Managing Owners: Making Financials Fun

September 18 Kent
September 21 Dayton

Employee-Owner Leadership Development Retreat

October 18-20 Atwood Resort

Leading and Managing Owners: Teambuilding & Team Communication

November 13 Kent
November 16 Dayton

Board, Trustee, & ESOP Administration Committee Training

December 6 Kent

► Mark Your Calendars!! ◀

16th Annual Ohio Employee Ownership Conference
April 12th, 2002 Hilton Akron/Fairlawn

For more information about these events or Ohio's Employee-Owned Network, contact Karen Thomas at 330-672-3028.

OTHER EVENTS

The ESOP Association's August 3-5
2001 Employee Owner Retreat Indian Lakes Resort, IL
(See pg 8 for details)

Buckeye Labor- September 26-28
Management Conference Salt Fork State Park, OH
Call (419) 530-3546 for details

The Ohio ESOP Association's October 9th
12th Annual Fall Conference Columbus, OH
Call (440) 989-1552 for details

The NCEO's Conference on Global November 5-6, 2001
Equity-Based Compensation St. Francis Hotel
San Francisco
Call (510) 208-1300 for details

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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