OWNERS AT WORK

OHIO EMPLOYEE OWNERSHIP CENTER

Volume XI No. 1 — Summer 1999

Olmsted Falls Plant Goes Employee Owned

On May 14, 1999, in the largest union-led buyout in the country since 1994, employees and the KPS Special Situations Fund together bought a paper mill, an extruding plant, and five converting plants from Champion International for $200 million.

Olmsted Falls Dairy Pak employees in new Blue Ridge Paper "Owner" shirts line up for a cookout.

The new company, Blue Ridge Paper Products, has 2200 new employee owners who work in the paper mill in Canton, North Carolina, in the extruding mill in Waynesville, NC, and in five Dairy Pak converting plants in Georgia, Iowa, Texas, New Jersey & Olmsted Falls, Ohio.

"This is a great business deal," said Dave Shapiro, one of the principals in the KPS Fund. "The timing is perfect. We had the opportunity to purchase some high quality assets at a very good price. We have an excellent management team, a strong and dedicated work force, and strong market shares in all of our product lines. There's been a lot of investment in the mill over the past ten years. By going into partnership with the employees, Blue Ridge Paper has become one of the most cost-competitive mills in the country. We expect Blue Ridge to be a tremendous success."

"This is a real victory for workers," commented Paper, Allied-Industrial, Chemical & Energy (PACE) Workers International Union President Boyd Young. "We look forward to the development of a relationship that can be a good example both within and beyond the pulp and paper industry."

Champion's downsizing creates employees opportunity

In October 1997, Champion put the Canton mill and Dairy Pak division up for sale as part of its downsizing effort. Though Champion hired Goldman Sachs to sell the facilities, no serious bidders emerged. The reasons were three: the current overcapacity in the paper industry, a declining market for paper cartons for packaging milk and juice, and the checkered environmental history of the Canton, North Carolina mill.

What kind of buyer would invest in this situation?

The answer? The employees, who work there and want to preserve their livelihoods, and KPS, a fund organized by Eugene Keilin, Michael Psaros, and David Shapiro to invest in just this kind of difficult situation.

"Where other investors took a quick look and saw nothing but problems, we and the employees were willing to look a little harder," explained KPS's Shapiro. "What we found was a great opportunity: a business with strong market shares in its primary products and an excellent workforce. The only question was, at what price?"

In November 1997, an employee buyout effort was initiated by PACE Smoky Mountain Local 507 which organizes the two North Carolina facilities. The Southern Appalachian Center for Cooperative Ownership (SACCO) in North Carolina played a key role in helping Local 507 get the buyout effort off the ground. Public sector support from the state and affected counties in North Carolina and from the Ohio Bureau of Employment Services' Preliminary Feasibility Fund helped.

The Paperworkers, whose merger with the Oil, Chemical and Atomic Workers, have been in the forefront of American

Broadening Capital Ownership

*This issue of **Owners at Work** focuses on broadening the ownership of productive assets, the topic of the 1999 Ohio Employee Ownership Conference. Jeff Gates, who keynoted the conference, documents the increasing concentration of ownership in the United States and the need for action (p.15). Our story on Manitoba's Crocus Fund (pp. 17-18) demonstrates what employee-ownership friendly investment capital can do to broaden ownership of productive capital, and our update on the Industrial Heartland Investment Forum (p. 19) provides evidence of the growing interest in similar investments strategies for labor in this country. Moreover, as our lead story on the KPS & employee buyout of Champion Paper's Dairy Pak Division shows, such capital strategies are broadening ownership here in Ohio today.*

Congressman Rohrabacher's legislation (page 4) proposes dramatic new incentives to broaden ownership. It will certainly spark a debate in this country.

Meanwhile, the Ford Foundation has funded the Capital Ownership Group's collaborative international virtual think tank, housed by the OEOC at Kent State University, to look at expanding employee ownership to counter the "race to the bottom" in economic globalization (see p. 16).

unions in exploring employee ownership in industry divestitures. Heretofore, however, their only major buyout was in Pine Falls, Manitoba. The Canadian Communications, Energy and Paperworkers Union also completed two very successful paper industry buyouts, both with the advice of Keilin & Co. (Keilin, Psaros, and Shapiro of KPS are also principals of Keilin & Co, the investment banking firm that did the United Airlines buyout.)

It quickly became apparent that if the Canton employees bought the mill, they also needed to buy the converting plants it supplied. Consequently, the buyout became a multiplant, multistate project. All the plants but one were organized by PACE, so coordination was relatively easy; the other plant was organized by the United Autoworkers.

"The Paperworkers invited us to take a look at the Canton System in May 1998," recollects Shapiro. "We were immediately impressed with the ESOP committee members; their interest in saving the jobs throughout the Canton System as well as their comprehension of the difficulties and complexities involved in actually pulling off a large acquisition."

"I can't say enough good things about the great work done by all the locals," said Bob Smith, PACE Vice President and Region IV director who was deeply involved in seeing the deal through. "These guys stepped up to the plate. They carried the ball everyday. You couldn't ask for a better bunch."

The Smoky Mountains come to Cleveland

The oldest of the Champion converting plants is located in the Cleveland, Ohio suburb of Olmsted Falls. This plant, which opened 51 years ago, prints coated paper and converts it into liquid packaging cartons of the sort that you buy milk or juice in at the grocery store. Plastic jugs have been making heavy inroads into part of this business, and the industry has been going through a consolidation. International Paper, Champion's main competitor in this market, was rumored to be interested in acquiring the three northern plants and to be interested in keeping their customers and consolidating their business into IP's existing northern plants.

The Champion plant was the largest employer in the City of Olmsted Falls. It now employs 165, down from more than 200 a few years ago. Today, it is still a key part of the community's economy.

"This buyout was our only choice," said Pete Dagostino, who started work at the plant in 1955, and who led the Olmsted Falls buyout effort as President of PACE Local 673. "Nobody likes the concessions we had to take."

"You never can tell what will happen when a plant like this goes up for sale," Olmsted Falls Mayor Tom Jones commented. "I applaud the employees for having the confidence to purchase it. I'm delighted that the plant will remain here."

"There's always been a good relationship between the company and the city. As a matter of fact, the Board of Education has its offices in the plant," Jones continued. "I anticipate that will continue. I'm pleased the employees bought the plant!"

How do you raise $200 million for a buyout?

Paper mills cost money and two hundred million is a fair chunk of change. The practicality of large buyouts has been dramatically improved by the development of new venture capital funds which specialize in union-initiated buyouts.

The largest of these is the KPS Special Situation Fund, capitalized at $205 million last year. The fund will ultimately leverage perhaps as much as $1 billion in employee buyouts. This was its first completed transaction. The KPS Fund provided $35 million in equity on the purchase price of $200 million; the rest was borrowed through a syndicate led by G.E. Capital, Wachovia, PNC Bank, and Bank of Montreal. The employees and KPS paid Champion $170 million in cash and a $30 million note, far less than the price rumored in the financial press.

"We were able to negotiate an excellent purchase price," explained Shapiro. "Most paper industry analysts expected the Canton System to sell for over $300 million. However, we were able to take advantage of a confluence of events and circumstances: a highly motivated seller, a failed auction, a very difficult financing market and very low prices on paper products."

The structure of ownership at Blue Ridge is that the employees have a 40 percent stake, KPS holds 55 percent, and 5 percent is reserved to attract and incentivize senior management. When KPS chooses to exit, ideally in about five years, the employees have the right to bid on KPS's shares. "I'd really like to see us exercise our option to buy their shares," says PACE's Smith.

Employees are paying for their stock with a 15% reduction in their wage and benefit package over the seven year term of the contract. Over 80 percent of union employees turned out to vote on the contract. Overall, 60 percent voted in favor, with all plants except the Georgia converting plant voting in favor; Olmsted Falls ratified with a 74 percent "yes" vote. White collar employees took similar cuts, but had no opportunity to vote.

Once the company is profitable, however, profit sharing kicks in. Ten percent of pretax profits will be shared equally among all the employees, blue collar and white collar alike.

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 Bureau of Employment Services (OBES), 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. **Address:** OEOC, 309 Franklin Hall, Kent State University, Kent, Ohio 44242. **Tel:** (330) 672-3028 **Fax:** (330) 672-4063 **email:** oeoc@kent.edu **website:** http://www.kent.edu/oeoc

Owners At Work (ISSN 1046-5049) is published twice a year by the OEOC. Letters, articles, requests for permission to reprint and subscriptions (which are free) should be sent to the editor. ***Owners At Work*** is funded in part by the **Ohio Department of Development Labor-Management Cooperation Program.**

Making the new company a success

"Our union isn't just about preserving jobs," Young continued. "It's about enhancing jobs. Our new partnership with Blue Ridge gives us the opportunity to do just that."

"I've always believed in the concept of employee ownership," said Joe Ramsey, the International Union Representative for the Olmsted Falls plant and long-time OEOC Advisory Board member. "I am very tickled to see this buyout go through. It means a future for these folks in all these locations."

"The Olmsted Falls union committee really worked hard on this," added Ramsey. "They've done a great job for the members. Despite the unending frustrations of this long, drawn out process, they've demonstrated real leadership both in the plant and, I think, among all the converting plants. It was a long, hard road, and they deserve a lot of credit."

"It's still going to be a rocky road," Dagostino predicts. "To make it work, we need to come together and all pull in the same direction. We've got a great workforce, and we take a lot of pride in our work — in our quality. But we really need to learn to communicate better. We've got to get the salary people into the loop. They got hit with the concessions, but they didn't get to vote on them." Dagostino is now a member of Blue Ridge's Board of Directors, so he can do something about it.

Smith, who is also a member of the new board, traces white collar resentment to being kept in the dark because Champion required strict confidentiality during the buyout.

"The confidentiality situation did create some resentment among middle managers. Our local union leadership knew what was going on, but their supervisors didn't. That resentment continues. Some of it is directed toward the union, but much more is toward their former employer," says Smith. "We'll get past it, though."

"I'm very excited about Blue Ridge Paper and the opportunities it presents," comments Gordon Jones, Blue Ridge Paper's new CEO. "I haven't seen anything this exciting in the 23 years I have worked in the paper industry." Jones came to Blue Ridge from Smurfit-Stone Container Corporation, and had been a senior executive at Stone Container before the merger.

"It's the excitement of having everyone pull in the same direction. Let me give you an example. Our Transition Committee is a mixture of hourly and salaried employees; we just roll up our sleeves and work together. You would be amazed by the phenomenal suggestions coming from the people: on how to improve our production, quality, and interface with customers."

"I want to see this buyout a success," concurs Dagostino. "I've only got a couple of years left before retirement myself, but there's a real opportunity here for the young people. There's money to be made in liquid packaging. I want to see our members have a secure future."

"The transition seems to be going exceptionally well," continues Smith. "Gordon Jones, our new CEO, is a good man. He's a real people person. We've got some other people we are trying to bring on board, and we should have a good team in place. I look for Blue Ridge to be one of the country's real success stories, like Harley Davidson."

"When our customers visit the plant, we take them out to meet the people, and they walk away really impressed with how people feel to own the business," Jones adds. "They are talking to owners. You are going to see some phenomenal results from the people owning this business." □

Washington Steel Survives — Again

Not all of the roller coasters in Ohio are at Cedar Point and Kings Island! Over the last 15 years or so, the employees at the Massillon plant of Washington Steel have had an up and down existence comparable to a ride on the Magnum.

The plant, originally owned by the former Republic Steel Corporation, was one of the pioneer stainless steel facilities. In the mid-1980s, the U.S. Justice Department ordered its sale as part of their anti-trust approval for LTV's purchase of Republic Steel. Since then, the plant has survived several changes of ownership, two bankruptcies and a year-long closing. One former owner of the plant even went to jail for his role in one of the down times.

Lukens Steel acquired the plant in 1993. During the time that Lukens owned the facility, labor and management developed an outstanding working relationship. The plant made great strides and in 1997, was recognized nationally by the AFL-CIO as one of the best places to work. It was an old plant, but it had a modern workforce.

Then in 1998, it was back on the roller coaster as Lukens was taken over by Bethlehem Steel, which had no interest in the stainless steel business. So Massillon was back on the auction block. To make matters worse, cheap imported steel was causing problems for the industry. Unable to find a buyer, Bethlehem announced the closing of the Massillon facility and its sister plant in Washington, PA, in early January 1999. A longtime employee was quoted in the *Canton Repository* as saying, "The next time someone buys us, we'll have to put the name up in Velcro."

Rather than wait around for Bethlehem to find a buyer, the workers decided to see what they could do to save the plant. Led by David McCune, Unit Chairman at United Steelworkers Local 1124, and George Niarchos, Plant Manager, the employees contacted the Ohio Employee Ownership Center (OEOC). After a mass meeting, the group formed a buyout association, applied for a grant of JTPA funds to help finance a prefeasibility study of the plant, and raised matching funds from the employees and the City of Massillon. The study found that the employees needed a strategic partner with deep pockets to invest in the facility. Before they could find such a partner, Bethlehem sold both plants to a partnership of SB International, a steel marketing company based in Dallas, and Jindal Strips, Ltd., India's largest stainless steel producer.

The sale is expected to be completed in the second quarter. As we go to press, the Steelworkers are negotiating a new labor agreement. Pending the final outcome of the purchase agreement and the collective bargaining negotiations, the Washington Massillon Buyout Committee remains intact and ready to restart the search for a partner if the deal falls through. They're not off the roller coaster yet. □

Will America Be 30% Employee Owned in 2010?

Are you ready for an America where 30 percent of all businesses are majority employee-owned with their boards of directors elected on a one shareholder - one vote basis?

That's the goal of Rep. Dana Rohrabacher's (R-CA) bill, *The Employee Ownership Act of 1999*. "It is the policy of the United States," the Bill declares, "that by the year 2010, 30 percent of all United States corporations are owned and controlled by employees of the corporations."

The ESOP Association calls Rohrabacher's bill "The most sweeping employee ownership legislation written since the establishment of ESOPs."

Congressman Rohrabacher, a former speech writer for President Reagan and one of the more conservative of House Republicans, is a long-time supporter of ESOPs. This measure, which he calls the "ESOP-plus-plus," would establish a new kind of corporation, the Employee Owned and Controlled Corporation (EOCC).

EOCC's characteristics:

(1) A controlling interest -- at least 50 percent -- of the EOCC voting stock would be held by a trust for the benefit of EOCC employees. To qualify as an EOCC, at least 90 percent of employees working 1000 hours annually would be covered.

(2) Employees vote the stock on all corporate issues, including electing the Board, on a one person, one vote basis. The bill obligates the trustee to vote the stock as the employees direct, and to vote unallocated shares in proportion to the allocated shares.

(3) Distribution and valuation rules correspond to existing ESOP rules.

The bill provides a variety of attractive new tax incentives for the EOCC. First, the EOCC is free of corporate taxation. Second, stock provided to employees in lieu of compensation is exempt from income tax during an initial three-year transition period. Third, employees who sell stock back to the EOCC or to a fellow employee pay no income tax on sales proceeds. Fourth, current owners of stock who sell to the EOCC Trust pay no capital gains taxes. Fifth, estates which transfer stock to the trust get a dollar for dollar tax credit against inheritance taxes. Sixth, outside investors in the EOCC will not pay taxes on 25 percent of dividends.

The ESOP Association calls Rohrabacher's bill "The most sweeping employee ownership legislation written since the establishment of ESOPs."

The bill also calls for establishing a Presidential Commission on Employee Ownership that includes both non-managerial and managerial employees of companies which are currently at least 50 percent employee owned as well as researchers, employee-ownership nonprofit organizations, and government representatives.

In introducing HR 1462, Rohrabacher invoked both federal policy on home ownership in this century and the Homestead Act of 1862 which opened federal land for homesteading. Both are outstanding historical precedents for broadening property ownership.


Congressman Dana Rohrabacher

"This legislation, I predict, will be as significant to the American people as the homeowner's mortgage deduction," Rohrabacher began, "which has ensured the widespread ownership of homes through the United States. Sixty percent of the American people own their own homes. This can be traced to the fact that we have written our tax law in a way that encourages widespread ownership of homes." It will "be the equivalent of the Homestead Act," he continued. "Many people forget that the Republican Party was the party of the Homestead Act. On the day the Emancipation Proclamation went into effect, Abraham Lincoln signed the Homestead Act into law, which opened up the idea of ownership of property to millions of people."

> What we are trying to do now is expand upon that, expand on the home mortgage deduction, expand on the Homestead Act, expand on the idea that people have a right to own their own home but they also should have an incentive in the tax system to own and control their own company. They will control their own economic destiny. This is the ultimate empowerment.

While Rohrabacher's bill is given little chance of passing in this session, its thirty-four cosponsors span the political spectrum, from very conservative Republicans, such as Ron Paul of Texas, to liberal Democrats like Marcy Kaptur and Dennis Kucinich of Ohio.

The ESOP Association's Michael Keeling called the bill "revolutionary" and expects it to "spark a long-needed national debate on ownership policy." □

Wealth & Income Effects of Employee Ownership

Peter A. Kardas, Adria L. Scharf & Jim Keogh

A recent study of ESOPs in the State of Washington has laid to rest several nagging questions about ESOPs. This well-designed study matched ESOP companies with comparable conventional companies. It found that:

(1) ESOP companies have almost three times as much in total pension plan assets as comparable conventional companies, and

(2) ESOP companies pay higher wages and benefits than comparable conventional companies.

Thus ESOP benefits are ***not*** *being bought through reductions in deferred compensation in other pension plans or through reduction in current wages and benefits, relative to their conventional competitors. On the average, employees in ESOP companies earn higher wages and benefits and accumulate more pension assets than employees in comparable conventional competitors. So ESOP companies are producing real improvement in current living standards for their employee owners as well as creating more real net wealth for their retirement.*

How successful are companies with Employee Stock Ownership Plans (ESOPs) in getting an increased share of the nation's wealth and income into the hands of employees? Using three sources – 1995 wage and employment data from the Washington State Employment Security Department, survey data, and data from federal income tax form 5500 – we researched this question for Washington State companies. The 5500 data as well as records kept by the Washington State Employee Ownership Program enabled us to identify 102 ESOPs in the state, which we then randomly matched to 499 comparison companies. This resulted in an average of five comparison firms per ESOP company.

In terms of size and industrial sector, the Washington State ESOPs are fairly representative of other ESOPs in the country, except that there is a smaller percentage of companies in Washington with over 500 employees. Data from the 47 ESOPs that returned surveys indicate majority ownership of the stock by the ESOP in 15 companies (39%), with four of the ESOPs owning 100% of the company. Average percentage of stock ownership by the ESOPs was 42% and the median was 35%. Eighty-three percent of the ESOP companies were privately held.

The surveys, sent to both ESOP and comparison companies, asked for detailed information about a number of things, including the value of assets held by retirement plans, the number of employees in different wage categories covered by each benefit plan, whether the company was unionized, company age, types of participatory management techniques used, degree of employee influence in various decision-making areas, and, in the case of ESOPs, percentage of company stock held in the ESOP trust and percentage of payroll contributed to the plan in 1995. Survey responses by ESOP and comparison companies enabled us to match 37 ESOPs with 68 control companies. We were able to supplement the survey data with data from the 5500 forms, from which we were able to match 66 ESOPs with 136 comparison companies.

Retirement assets

In comparing ESOPs to the matched comparison companies on benefits and income, we examine first the value of retirement assets, including company stock. Because both ESOP and comparison companies often have more than one retirement plan (e.g., 401(k) and profit sharing plans), we need to measure benefits in a way that pulls together the value per participant of each company plan. We also need to take into account the fact that between 60% and 70% of comparison firms have no retirement plan at all, at least according to survey results and data from the 5500 forms.

Table 1 presents average assets per covered employee for ESOP companies and matched controls that returned surveys. The top row gives the sum of the average assets per participant for all plans listed in rows two through six (401(k) plan, ESOP, etc.). This measure assumes that a participant in one plan is also a participant in every other plan, so the sum equals the total value of an individual's assets from all the different plans. These numbers indicate that the sum of the average value of assets per participant is significantly higher in the ESOP companies ($32,213) than in the controls ($12,735).

The composition of the numbers differs significantly as well. For the typical ESOP participant, the ESOP represents 75% of the combined asset value of his or her retirement accounts. Of the 75% that the ESOP holds, about 80% is probably in company stock (typically 20% of ESOP stock is diversified, according to the National Center for Employee Ownership), meaning that 60% ($.75 \times .80 = .60$) of the ESOP participant's retirement assets are in company stock. Of the remaining value in the typical ESOP participant's retirement accounts, 12% is from 401(k) assets, 4% from defined benefit assets, and 2% from profit sharing plans. In the control companies, 70% of the value of the assets is from 401 (k) plans, while 3% is from defined benefit plans and 11% from profit sharing plans. So while the typical value of the ESOP company retirement assets is approximately $20,000 higher per participant than found in the control companies, the ESOP investment is heavily concentrated in the stock of the employing company and thus carries more risk. On the other hand, the diversified portion of the ESOP participant's retirement assets (40% of \$32,000 = \$12,800) is almost identical to the total assets of non-ESOP participants (\$12,735).

What do these per-participant assets mean to employees at different wage levels? For those companies that allocate stock to employee accounts either on the basis of payroll or payroll to a cap (and 83% of the companies use one or the other of these methods), we can calculate numbers representing assets per participant in different wage categories. The average asset value of \$32,213 translates into \$18,200 for employees in the \$10 - \$14 an hour range, and into \$62,744 for employees in the \$20 to \$40 an hour range. At 5.5% interest with the principle declining to zero after 20 years, the employee in the \$10 - \$14 an hour bracket would receive approximately \$125 a month, while the employee in the \$20 to \$40 an hour bracket would receive approximately \$432 a month. By contrast, 70% of the monthly income for a full-time worker in the \$10–\$14 per hour bracket would be approximately \$1,456 (before taxes). For employer funded defined benefit pension plans, the rule has traditionally been that a covered employee could count on 70% of the last three years' salary as a retirement benefit.

Table 1. Assets per Participant for Several Plans, Using Survey Data[a]

Assets Per Participant, Different Plans	ESOP Companies, from Survey n=37	Control Companies, from Survey n=37 (weighted)
Sum of Avg. Assets per Participant, All Plans	\$32,213*	\$12,735*
401(k) Assets / Participant	\$3,796	\$8,890
ESOP Assets / Participant	\$24,260	\$0
Defined Benefit Assets / Particip.	\$1,254	\$410
Profit Sharing Assets / Particip.	\$607	\$1,464
Other Assets / Participant	\$2,295	\$1,971

[a] Results for the control companies are weighted so that the sum of control companies for each ESOP company equals one, thus eliminating the bias that results from there being more controls for some ESOP companies than for others. Numbers in the table represent average assets per participant for all plans for matched companies that returned a survey, *even if the companies did not use one of the plans listed. Therefore, a zero for average assets in any company's plan is treated as a number and averaged together with numbers from other companies.*

* $p < .05$

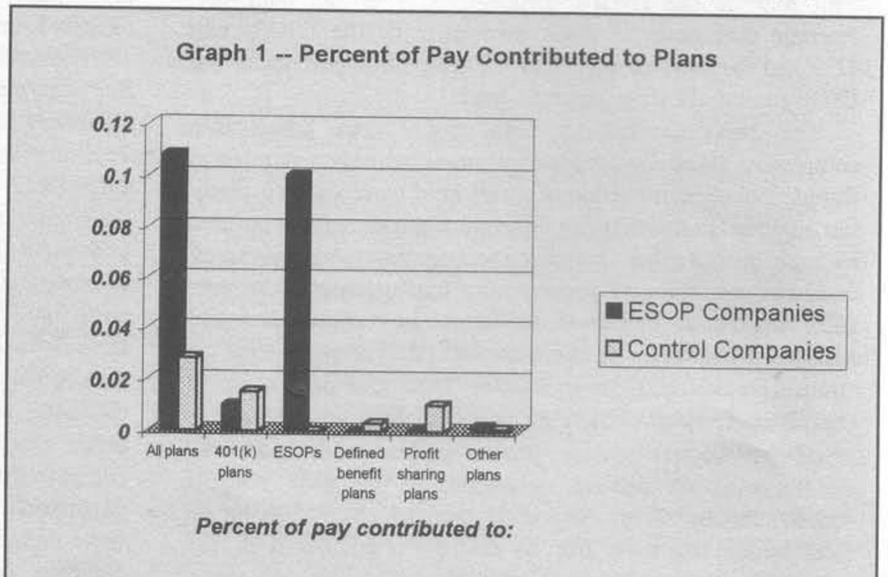
The average value of \$32,213 is based on the current value of the assets. If the company continues to make contributions to company stock or to other retirement plans, and/or the value of the stock increases, the value of the assets will increase. It is therefore of interest to know how much of payroll the company is putting into retirement assets on an ongoing annual basis. The percentages in Graph 1 are derived by dividing a company's total compensation for 1995 (data from the Employment Security Department's database) into the amount the company reported contributing to the different plans for that year (data from the survey of companies). ESOP companies in 1995 contributed 10.8% of payroll to all plans, while the control companies contributed 2.8%. The end result of these levels of contribution, if continued annually, would be ESOP company employees seeing the value of their retirement assets increase at three to four times the rate of comparison companies due to the increased rate of company investment alone, all other things (e.g. relative stock values) being equal.

Independent variable analysis

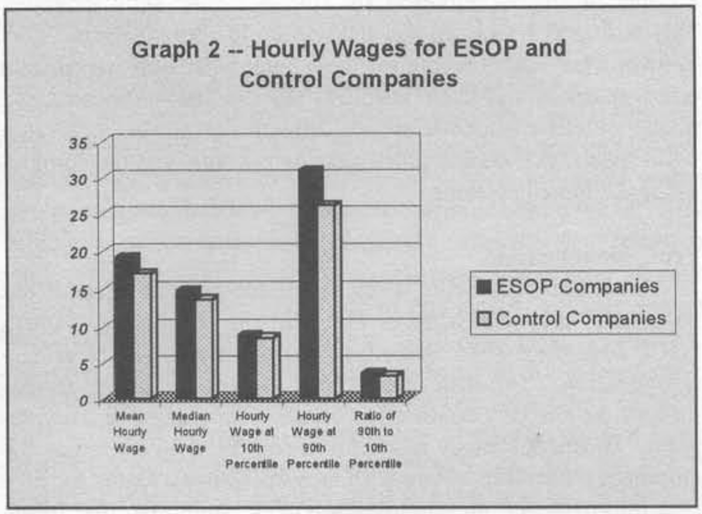
None of the independent variables in the analysis eliminated or significantly diminished the ESOP as an explanation for higher asset values. ESOP companies had higher valued assets in all industrial sectors (at least when utilizing Form 5500 data), and neither large company size nor older plan start dates were associated with higher asset values. Unionized ESOP companies had lower asset values than non-union ESOP companies, though unionized comparison companies had higher asset values than non-union comparisons. The data were ambiguous on the effect of majority ownership within ESOPs and on the effect of workplace participation programs in both ESOP and comparison companies.

Wages

Given that the value of retirement benefits is significantly higher in ESOP than in comparison companies, do employees at ESOP firms typically take lower wages to make purchase of company stock possible? The simple comparison of means summarized in Graph 2 suggests otherwise. The results show that ESOP companies pay both



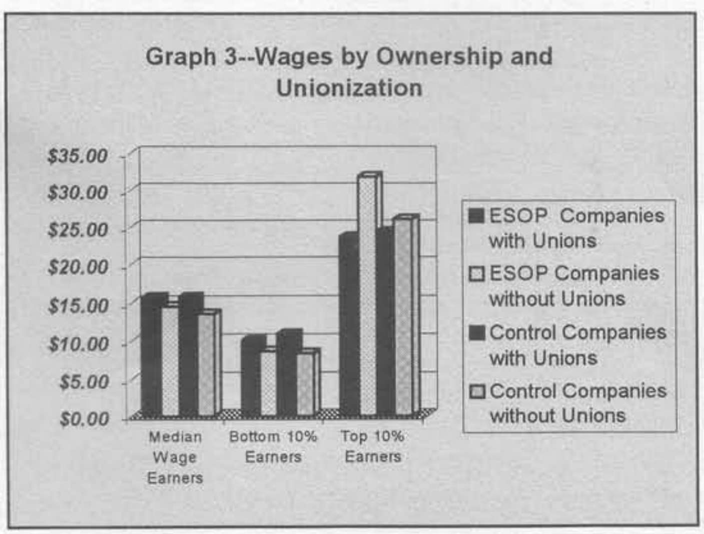
higher average as well as higher median wages than do comparison firms. The average ESOP company wage of $19.09 is 12% higher than the average control company wage of $17, and the median ESOP company wage of $14.72 is 8% higher than the median control company wage of $13.58. At



the 10th percentile, wages in the ESOP companies are 4% higher than in the controls. At the 90th percentile, ESOP wages are 18% higher than comparison wages, causing the ratio of 90th to 10th percentile wages to be 11% higher in ESOP companies.

From these numbers it would appear that Washington State ESOP companies typically pay higher wages, so employees at the middle of the pay scale are better off in terms of take-home pay working in an ESOP company than in a comparable conventional company. On the other hand, workers at the bottom of the pay scale in ESOP companies do not make much more than comparable workers in competing companies, and there is a greater distance between those at the bottom of the wage scale and those at the top than in conventional companies.

What happens to these results when we control for other factors, such as unionization, industrial sector, workplace participation, majority ownership, and company size? Graph 3 shows the impact of unionization on both ESOP and



comparison companies. Unions have the effect of raising the median wage as well as the wage at the 10th percentile, while wages at the 90th percentile are lower in unionized ESOP and comparison firms. In terms of worker participation, we expected to see an association between greater use of participatory practices and either higher wages or higher stock values. This is because previous research projects had found a link between greater commitment to worker participation and higher company growth rates. However, in this study we found no discernable differences in wage levels between the more participatory and the less participatory firms. Likewise, the median wage for majority owned ESOPs is lower than the median wage for minority owned ESOPs, though both majority owned and minority owned ESOP firms have higher wages than the comparison firms in their own industrial sector. There is a slightly negative correlation between employment size and median pay, meaning that there is a tendency for smaller firms to have better pay than larger firms. Finally, in every industry classification but one, the median wage for ESOP firms is higher than the wage for comparison firms.

Other compensation and benefits

As for other non-wage compensation and benefits, the ESOP companies for which we have data paid out more in 1995 for stock options, cash bonuses, etc., than did the comparison companies. The overall average for ESOP companies was $1688, and for comparison companies $323. In terms of paid leave, insurance, and health benefits, ESOP companies were more likely to provide all of those benefits to all employees, with both ESOP firms and comparison companies financing approximately 95% of the cost of health benefits for those employees covered by health plans.

Conclusion

The sum of all these findings is that, on average, the ESOP firms in this study provide a significantly higher total compensation to their employees than do their competitors. However, the increased inequality within non-union ESOP firms (represented by the ratio of 90th to 10th percentile wages) suggests that ESOP companies are not establishing new standards for compensation equality within the firm. Rather, they are operating well within the framework of rewards already established in the economy. It is important to note that, within that framework, they do provide a majority of the ESOP employees a retirement benefit in the form of company stock, whereas a majority of the comparison companies provide no retirement benefit at all (although the benefits that are provided probably entail less risk than the stock held by ESOPs). □

Copies of the complete research report are available from the National Center for Employee Ownership, 1201 Martin Luther King Jr. Way, Oakland, CA 94612. Phone: (510) 272-9461. Email: nceo@nceo.org.

Peter Kardas is a consultant and free-lance researcher working with ESOPs, worker co-operatives, and trade unions. Adria Scharf is a doctoral student at the University of Washington, concentrating on organizational sociology and the sociology of work. She has a particular research interest in employee ownership. Jim Keogh is a business retention specialist for the Washington State Department of Community, Trade, and Economic Development. He managed the agency's Employee Ownership Program for nine years.

Network News

Grown Up: The Challenges of Mature ESOPs

"If you had it to do over again, would you setup an ESOP?," asked the CEO of a soon-to-be ESOP company to his peers at a recent CEO Roundtable. This question is an important one to ESOP companies many of which selected Challenges Facing Mature ESOPs as a 1999 program year theme for Ohio's Employee-Owned Network.

The veteran CEOs, those who are experienced leaders of mature ESOP firms, responded to this question with a whole-hearted **yes** in the following comments: We desire to protect the employees' future; we have freedom from uncertainty about the future ownership of our company; our ESOP makes a difference when we get in trouble because then our people really come through; and, our employees would not sell for three times the current stock price.

They all agreed that leading an employee-owned business is challenging, and will continue discussion of the unique challenges and rewards of leading employee-owned companies at this year's 4th annual CEO Retreat on August 19-20 at Deer Creek Resort near Columbus.

Not all ESOPs mature

A 1992-93 OEOC study of employee ownership in Ohio found that about 20% of Ohio ESOP firms terminate their plans. A nationwide study, conducted by the GAO, showed a national ESOP termination rate of about 30%.

In contrast, those ESOP firms that continue to grow and mature over the years describe the process as a real transformation.

Family-owned to ESOP

"We were family-owned but now we are much more democratic, because that's what an ESOP is," explained one speaker at the April conference session on maturing ESOPs. Jim Findlay of Impact Products in Toledo is one such example. "My wife and I took all the risks to build this business," says Findlay, "but where before we were autocratic, now we educate our employees and their families, we use long-term strategic plans, we share information, we celebrate employee ownership with special and double profit sharing payouts, and the employees make more decisions."

Professionalization

"We went from being a big small company to a small big company," says Jeff Evans of The Will-Burt Company, a 100% ESOP firm since 1985, describing the process as one of professionalization. The firm offers profit sharing for all employee-owners, as well as certain other benefits for executive management. Business literacy has been key to the firm's strategy for employee ownership, along with cross-functional teams for process improvement, an employee advisory committee that meets regularly with management, and a seat on the board of directors for an elected employee representative.

Long-term business continuity

Profit sharing with employees has a 30-year history at The Mosser Group, a group of construction-related companies based in Fremont, so the ESOP makes sense as a long-term strategy for business continuity coupled with the firm's promote-from-within management succession planning approach. As Skip Carter, President of The Mosser Group, explained their transformation with employee ownership, "our managers are more committed and our employees feel that they have more say. As an ESOP, management has to listen, discuss, and explain." More avenues for employee input, education, and recognition have developed over the years as the level of ESOP ownership

Network Schedule

July 15, Dayton
Managing Repurchase Obligations
Various funding strategies and payout options used by ESOP firms to repurchase ESOP stock from employee owners, the pros and cons, and the impact of these approaches will be explored.

August 19-20, Deer Creek Resort *(South of Columbus)*
4th annual CEO Retreat
Interactive sessions and informal presentations on pre-selected topics of common concern; ample time for informal discussion of current issues.

September 16, Dayton
ESOP Communication Committee Training
A training session for members of ESOP committees and teams responsible for communication and education to promote the ESOP and an ownership culture at their firms.

October 21, Kent
October 26, Dayton
CEO Roundtables & HR Reps Roundtables
Half-day discussions with open agenda on timely topics selected by participants. Held in conjunction with the Annual Meeting of Ohio's Employee-Owned Network

October 28-30 Mohican S.P. Lodge
Employee Owner Retreat
For non-managerial employees. Participants learn the basic of ESOPs, meeting skills, understanding financials, and group problem solving.

December 2, Kent
Advanced ESOP Training
Fiduciary roles and major responsibilities of ESOP trustees, ESOP Administration Committees, and nonmanagerial directors.

in the firm has increased. The ESOP, which was established in 1985, currently owns about 85% of the stock. Employees elect representatives to an advisory committee. The advisory committee has responsibilities for communication and education through annual meetings, employee orientation sessions, and special events.

The cycle of employee ownership understanding

The problem of sharing ownership with new employees who join the company long after the original stock was purchased, paid for, and allocated to employee accounts is addressed with a proactive reward-sharing system at Fastener Industries, a 100% ESOP-owned company headquartered in Berea. New full-time employees enjoy full vesting in the Fastener ESOP after 30 days on the job. The company backs up this system with an annual stock contribution to the maximum legal limit of 15% of wages. Dilution is offset by steady growth in the value of the business.

Sharing the rewards of employee ownership is not enough, says CEO Pat Finnegan, because new employees need a basic knowledge of the history of the company and how the ESOP culture developed. They also need to learn how the ESOP as a retirement plan works for them.

New employees grow to understand their ESOP over time in a process Finnegan describes as the Cycle of Employee Ownership Understanding. New employees are excited about our ESOP during their first three years at our company because they get immediate vesting and a sizable amount of stock. Then they often get disillusioned as they realize how much more stock the older employees here have. After about ten years they see their stock double in value and they believe that it (the rewards of the ESOP) will happen for them. They are very happy after 20 years because they realize that the money in their ESOP account is real.

Retired vs. active employee-owners

When Fastener employees retire they can leave their ESOP shares within the Fastener ESOP and many of them do. Retirees currently own about 30% of the company stock, and continue to benefit from appreciation in value and annual dividends. The question of whether to reward active employees differently than retiree owners is an issue. □

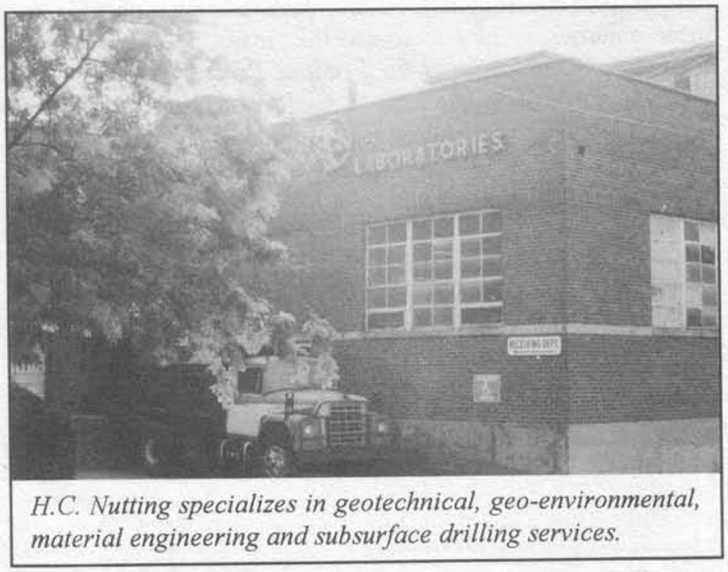
Social Investment Fund Helps ESOPs

A little-known community-based lender, the CommonWealth Revolving Loan Fund, is a big help to Ohio ESOP firms, and especially so for the employee-owned H.C. Nutting company over the past few years. The fund has made three machinery and equipment loans to H.C. Nutting, a consulting engineering firm based in Cincinnati, since the firm became employee-owned in 1989. As Jim Cahill, Chief Financial Officer says, "Working with CommonWealth is not like working with many financial institutions. Typically bankers look at ESOP income statements and don't understand ESOPs. The CommonWealth people are knowledgeable, they understand how ESOPs work. They are a great lending source for ESOPs and their interest rates are extremely competitive too. They did a great job for us."

The CommonWealth Revolving Loan Fund, based in Youngstown, is funded through social investment notes, which are loans to the fund by individuals, corporations, foundations, and religious organizations. The fund has a mission of lending exclusively to nonprofit community based groups and to democratically owned and managed for-profit businesses, such as cooperatives and ESOPs. A small fund, the CWRLF generally lends up to $75,000 per client; rates are competitive with commercial lending rates.

As Mark Whipkey, Loan Fund Coordinator, described the fund's help to H.C. Nutting, "we saw it as advantageous to work with a growing business like H.C. Nutting that is newly employee-owned under an ESOP structure with outstanding ESOP debt. We were able to help them over the bridge during a five-year period when they needed to move forward." □

To invest in or inquire about a loan from the CommonWealth Revolving Loan Fund, call 330-744-2667.



H.C. Nutting specializes in geotechnical, geo-environmental, material engineering and subsurface drilling services.

New Book on Kelso's Economic Theory

Robert Ashford and Rodney Shakespeare. ***Binary Economics: The New Paradigm.*** *University Press of America, 1999. 464 pp., Cloth $45, Paper $24.50*

Not many people are aware that the Employee Stock Ownership Plan (ESOP) was hatched from a macro-economic theory which qualifies in every respect as a genuinely new paradigm in economics. Louis Kelso himself took awhile to realize this. Almost until the end of his life he believed that he had merely corrected an error in the classical model. This was a critical error, since it is responsible for the historical bottleneck in the private property free market system that prevents market-sourced income from flowing to the many who want and need to consume its products.

In *Binary Economics: The New Paradigm*, Robert Ashford and Rodney Shakespeare, an American law professor and an English historian respectively, explain the premises and principles which Louis Kelso first discovered and then developed and refined into a logically coherent model of the free market system during his long career (more than 50 years) as a lawyer and investment banker. Although academic economists have either ignored Kelso or dismissed him as an "amateur crank" (Paul Samuelson's famous epithet), his binary paradigm explains, as theirs do not, such "anomalies" as the economic decline of the middle class, growing social alienation, and our inability to transfer technology to the emerging nations in ways that do not create bubble economies that inevitably burst.

Most unsettling, conventional economists neither understand the cause of depression nor how to prevent the next one except through massive applications of the standard Keynesian remedies which even the European welfare states are repudiating because of their negative effects on monetary integrity, motivation and property. Not long ago, Lester Thurow, a superstar of his profession, writing on the Asian crisis, admitted without apology: "Economic collapses are an intrinsic part of capitalism."

The most urgent problem conventional economists are at a loss to solve is economic growth — how to bring it about in the poor countries, or how to restore the "magic" at home after it has gone. (Cf. Paul Krugman, *Peddling Prosperity*, 1994, p. 9.) Economic growth is essential to modern industrial economies whose political commitment to full employment is constantly assaulted by technological change. It is the rising tide that is supposed to lift all the boats. As John Diebold pointed out in *Beyond Automation* (1970), economic growth is essential to the painless introduction of technological change. When economists assert, as they have done since the beginning of the Industrial Revolution, that technological change creates more jobs than it destroys, their tacit assumption is that economic growth will proceed at a fast enough clip to restore the employment lost. The conventional economic paradigm chains the full employment economy to perpetual expansion. It offers no surcease or escape from this overriding necessity.

Louis Kelso's binary paradigm, on the other hand, shows the way to both accelerate economic growth and to liberate the economy from the relentless pressure to expand. Ashford and Shakespeare devote much of their book to these two problems. The key is to unblock the purchasing power created by the free market but not distributed to consumers with current needs and wants. And the way to do this is to end the monopoly of capital credit so that the poor and the middle class can buy and pay for productive capital the way the rich always have, from its earnings. Restructuring our "unfree economy" to widen economic participation through owning and employing both factors of production — productive capital as well as labor — would conform to all the rules of market logic, most importantly, private property.

Here are fresh, new ideas, meticulously and faithfully explained, for benignly correcting the maldistribution of the productive power of capital that has kept the free market from working for the many as well as it has for the few. □

— Reviewed by Patricia Hetter Kelso

Friend of the Center

The staff of the Ohio Employee Ownership Center (OEOC) and I wish you and your family a wonderful summer. As you may know, the OEOC has completed thirteen years of service to people like yourself who are interested in employee ownership.

As a recipient of our newsletter, *Owners At Work*, you are aware of the Center's commitment to retaining jobs, anchoring capital in our communities, and educating employees. Whether we are working with a retiring owner, an employee buyout group or an existing ESOP company, the OEOC is truly dedicated.

This year we helped employees save their jobs at places like Brainard Rivet in Youngstown, Ohio and Blue Ridge Paper in Olmsted Falls, Ohio. Another 7 companies we've worked with implemented ESOPs over the past year.

In 1998, we ran 14 different training programs for employee-owned companies and had 520 employee owners participate. We also coordinated the ESOP Association's retreat for employee owners. Our annual conference attracted 325 participants.

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 to grass-root support from the folks who know us.

If you have not done so already, we would like you to consider becoming a *"Friend of the Center"* by making a **tax-deductible donation** to help the OEOC continue providing quality services. Thank you very much for your support. Please contact me at 330-672-3028 if you have any questions.

Kindest regards,

John Logue
Director

Checks should be made payable to:

KSU Foundation / OEOC
Ohio Employee Ownership Center
309 Franklin Hall
Kent State University
Kent, Ohio 44242

ESOP Association Runs 7th Annual Employee Owner Retreat

The *Employee Owner Retreat*, run annually since 1989 for **Ohio's Employee-Owned Network**, is also available nationally. **The ESOP Association** began making the program available to employee owners throughout the country in 1993. This year's seventh annual ESOP Association Employee Owner Retreat will be held near Chicago, at the Nordic Hills Resort in Itasca, Illinois. 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 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.

> ***"The Retreat provides a great education in the mechanics of how an ESOP company works. Employees with no previous financial experience come away with a good basic understanding. It is also a wonderful opportunity to interact with employees from other ESOP companies in an informal 'small group' setting. I highly recommend the retreat to employee owners at all levels within their companies, especially those involved with training and committees."***
>
> **Karen York, Scot Forge**
> **1998 Employee Owner of the Year**

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 7th Annual

EMPLOYEE OWNER RETREAT

NORDIC HILLS RESORT
Itasca, Illinois

August 6 - 8, 1999
Chicago Area

20 minutes from O'Hare International Airport
Training conducted by the

Ohio Employee Ownership Center

SCHEDULE: The Retreat kicks off at **Noon on Friday** and concludes with a box lunch at **1pm on Sunday**.

COST: Members of the ESOP Association pay $485 for first participant; **$350** for additional participants, includes meals.
Non-members of the ESOP Association pay $675 for the first participant and $500 for each additional participant.

LODGING: Call Nordic Hills Resort, **630-773-2750** to reserve a **$129** room (can be used as a double).

TO REGISTER: Call the ESOP Assoc., Rosemary Clements, **202-293-2971**, or the OEOC, Karen Thomas, **330-672-3028**.

1999 Ohio Employe

"Broadening Em

The OEOC held its 13th Annual Ohio Employee Ownership Conference on April 9th at the Akron West Hilton in Fairlawn, Ohio. This year's theme, "Broadening Employee Ownership," attracted over 325 participants from all over Ohio as well as several other states, Canada and England. Participants included CEOs, shop floor employees, managers, union representatives and professional service providers.

Keynote speaker, Jeff Gates, author of ***The Ownership Solution: Toward a Shared Capitalism for the 21st Century***, spoke about ideas from his new book. Gates also took part in a panel on *New Horizons in Employee Ownership* along with other employee ownership experts including Sherman Kreiner of Manitoba's Crocus Fund, Deb Olson of Shared Equity Strategies and Denise Sayer of England's Scott Bader Commonwealth.

The luncheon speaker was Jim Petro, Ohio's State Auditor, who heads the largest state auditing agency in the U.S., second only to the U.S. General Accounting Office. Petro was interesting, informative and entertaining and dealt with several issues of importance to the ESOP community, especially the need to be able to anchor capital locally. Petro also presented the **1999 Ohio Employee Ownership Awards**. Each year, the Conference honors companies and individuals that have made outstanding contributions to employee ownership. This year's award winners are:

The Davey Tree Expert Company, honored *For Long-Term Commitment to Broadening Ownership,* became employee owned in 1979 when 113 employees *went out on a limb* and contributed to the purchase of the company. This year, Davey's 6,000 employee owners celebrated 20 years of very successful ownership.

Karl Warnke accepts, on behalf of Davey Tree, the 1999 award for Long-Term Commitment to Broadening Ownership, from Ohio State Auditor, Jim Petro.

An award *For Getting Your ESOP Off to a Good Start* went to the **Kraft Fluid Systems ESOP Committee**. Kraft Fluid Systems, one of Ohio's newest ESOPs, actually joined Ohio's Employee-Owned Network and began participating in its programs before establishing its ESOP. This is the kind of employee participation philosophy that often takes years to develop.

As a result of his work with the **Crocus Fund** in Manitoba, Canada, **Sherman Kreiner** was presented with an award *For Pioneering Work Combining Regional Investment Funds with Employee Ownership.* The Crocus Fund has become a major anchor for capital and jobs in Manitoba and a model for many in the United States who seek to anchor capital and jobs locally. *(For more on Crocus and Kreiner's comments accepting the award, see pp. 17-18.)* Door prizes, donated by **Cornwell Quality Tools**, were also presented at the luncheon.


Sherman Kreiner, CEO of the Crocus Fund, accepts Ohio ESOP award.

How do you get an ESOP started

The Ohio Employee Ownership Conference traditionally offers The *ABCs of ESOPs* panel which provides the basics of how ESOPs work. At the *Selling to Your Employees* session, interested participants were treated to the first-hand experiences of **Ed Ahern** of **Specialty Equipment Sales Company (SESCO)** and **John Burns** of **C.O.W. Industries**. While there are certainly challenges to be met when selling to your employees, an entirely different set of challenges are encountered when a company has announced a closing. In the panel on *Averting Shutdowns: How to Do a Buyout,* participants heard from **Robert Copley** and **Marty O'Toole** of **Decorative Surfaces International** and **John Chetsko**, **Jeff Chine** and **Judy Volpe** of **Brainard Rivet**. Brainard Rivet survived an 11 month plant closing before reopening their facility as part of employee-owned **Fastener Industries** and was recognized at last year's Conference for its buyout efforts.

ESOPs are not getting any less technical

Of course, there is no way of getting around the fact that ESOPs are complex creatures. Although ESOPs have many advantages, they remain quite technical creatures. After all, ESOPs are essentially retirement plans and we all know pension plans can be very complicated. At this year's conference, there were three "technical"

Ownership Conference

oyee Ownership"

panels. After an ESOP company has been around for awhile and its employees have accumulated significant years of service, people like **Carol Czarneski** of **National Refractories** have to deal with complex issues like *Controversies in Repurchase and Diversification.* Going hand in glove with this topic was the panel on *Hot Issues in Valuation* which provided attendees with some insight into how valuations are performed and what is important to insure that a company's stock is being valued properly. The third technical panel dealt with *Advantages and Disadvantages of ESOPs in Sub-S Corporations* and featured the hands-on experience of **Jet Rubber** as presented by the company's CEO, **Darrel Cox**. In addition to the technical tracks, **Sue Abbott** of **ACRT** talked about her recent experiences on the panel *Show Me the Money: Creative Financing Techniques for ESOPs.* ACRT is a newly established ESOP company located in Cuyahoga Falls, Ohio.

Karen Thomas, Associate Director of the OEOC and Jim Frost of the Akron-Medina County Labor Council pose for the camera.

What does it mean to be part of an ESOP?

Aside from the monetary rewards at retirement, what should employees expect out of being part of an employee-owned company? Several panels addressed this issue. Really being an active participant in the company was the essential theme of three panels. In the session on *Participatory Employee Ownership: How It Works*, **Dave Scott** of **Dimco-Gray** talked about managing an employee-owned company while **Chris Kelly** of **Sharpsville Quality Products** recounted his experiences as a labor member of the Board of Directors. **Andrea Peters** discussed how they improved communications and training at **Joseph Industries** in Streetsboro, Ohio. The *ESOP Committees: Making Ownership Meaningful* panel, featured **Harriet Mack** and **Yolanda Tenny** of **Kraft Fluid Systems** and **Deb Palmer** of **ComDoc**. This panel shared what they did to get people involved in employee ownership and understand basic ESOPs mechanics. In the third panel, *Safety Always: Keeping the Owners Safe and Healthy at Work*, **Paul Longville** of **Stein, Inc.** provided figures to show that safety affects a company's bottom line. Sharing this with employees can make a big difference in the role they play in a company's safety program. **Jeff Peecook** of **The Ruhlin Company** shared methods he has developed over the years to get the message across that safety is an essential part of the job.

Dave Scott of Dimco-Gray relates his experience in managing an employee-owned company.

In addition to these normal challenges faced by ESOP companies, there are *Special Challenges to Unionized ESOPs*, a topic discussed by **Dick Clemens** of the **United Steelworkers**, **Bruce Householder** of the **Worker-Ownership Institute**, **Norm Brennan** of **Brennan Executive Consulting** and **John Vaught**, formerly with **Republic Engineered Steels**. This panel showed why it takes a lot of mutual understanding and cooperation to make the ESOP a part of the organizational culture in a unionized company.

Key issues for maturing ESOPs

There were two panels which dealt with key issues facing maturing ESOPs. The panel on *Minority to Majority Ownership* found **Skip Carter** of **Mosser Group** and **Jim Findlay** of **Impact Products** sharing their experiences in making the transition to majority employee ownership. The other panel addressed *Stages of Growth and Change* as **Jeff Evans** of **Will-Burt**, **Pat Finnegan** of **Fastener Industries** and **Jim Schwab** of **XTEK** discussed the growth of their companies and the advantages and challenges that have come with that growth.

The **Ohio Chapter of the ESOP Association** conducted a panel on *Getting Ready for Prime Time: Company to Company Visits* moderated by **Treasurer Leslie Lauer**. **Edie Calloway** of **The Antioch Company**, **Marilyn Emerson** of **Chilcote Company** and **Kathy Fullerton** of **Quincy**

Castings, whose companies have all hosted such visits, talked about how visiting other ESOP companies is a valuable learning experience for both visitors and host. At the end of the day, for those who still had that one remaining unanswered question., there was an *ESOP Q & A* session. **Nan Harshaw**, formerly of **YSI**, joined the expert panel.

Bruce Householder of the Steelworkers' Worker Ownership Institute discussed problems and rewards found in unionized ESOPs.

The day concluded with a reception sponsored by **American Capital Strategies** where the networking and information exchange continued in a more informal setting. The previous evening's Company Showcase reception was sponsored by **Crowe-Chizek**. We will be doing this again in Akron on **April 28, 2000** at the **14th Annual Ohio Employee Ownership Conference**. Put it on your calendar. We hope to see you all again next year! □

Safety Coordinators Make a Difference

Employee owners are taking ownership of safety and they are getting help from other Network companies. **Bill Marzec** and **Paul Miller** of **Burt Manufacturing**, **Tom McGovern** and **Mike Shaw** of **Bush Transportation Systems**, **Dollie Mabe** of **Dimco-Gray**, **Don Herndon** of **Plasticolors** and **Dave Turner** of **YSI**, have co-authored *Taking Ownership of Safety: Case Studies of the Safety Management Process at Five Ohio Employee-Owned Companies.* The 40-page booklet illustrates how these companies have achieved success in building a safety culture. With additional help from **Ron Jennings** at **Burt Manufacturing** and **Mike Cassidy** at **Dimco-Gray**, this group designed a safety management training workshop which was piloted in Kent on June 8th and 9th with safety coordinators from six other employee-owned companies. And now there is an additional opportunity for safety coordinators at Network companies to help each other out. The OEOC has set up ***safeESOP*** as a *listserv* where employee owners involved in safety management can carry out an ongoing electronic conversation with their peers from other employee-owned companies. You can tell your success stories, seek advice on current challenges, and share new resources which have been valuable for building your safety culture. To join the *listserv*, send an email to **safeESOP-request@listserv.kent.edu**

Succession Planning Program

Fall 1999 Schedule of Seminars

The Ohio Employee Ownership Center (OEOC) has been teaming up with the Greater Cleveland Growth Association's Council of Smaller Enterprises (COSE) 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.

Program participants receive *An Owners Guide to Succession Planning,* a Service Provider Directory of local practitioners, worksheets, selected readings and presenter packets. Participants also have a chance to ask technical questions and interact with other business owners.

This program is funded by the **Cleveland Foundation** as 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 the Greater Cleveland Growth Association in downtown Cleveland at Tower City. **Registration is limited to the first sixteen business owners per seminar who sign up.** Directions will be faxed prior to each seminar.

Date	Topics
September 30	***An Overview of Estate Planning Techniques in Succession Planning***
October 14	***Family Limited Partnerships and Buy Sell Agreements***
October 28	***Trusts & Gifting Shares***
November 11	***Valuation: How Much is My Business Worth***
December 2	***Selling to Your Employees: Employee Stock Ownership Plans***

To register or for more information, please contact:

Alex Teodosio at 330-672-3028 or ateodosi@kent.edu

Why is Shared Capitalism Needed?

"The trouble with capitalism," author and attorney Jeff Gates told 300 participants at the 1999 Ohio Employee Ownership Conference, "is that it doesn't create enough capitalists."

The gap between the haves and the have-nots is widening, resulting in what Gates calls a "disconnected capitalism" that has already created a virtual two-tier society. In his address to the Conference, Gates used statistics and political cartoons to bolster his contention that "current trends in economic inequality, both domestically and abroad, pose dangers to human dignity, democracy, political stability, fiscal sustainability, social justice, freedom, civil society, physical/mental health and environmental sustainability."

Although space prohibits the recitation of all the statistics Gates presented, the following will give the reader a pretty good flavor for the points he was making:

Despite the boom of the 1990s, inequality in the United States has continued to grow

- As of 1995, the top one percent of American households had wealth exceeding that of the bottom 95 percent.
- Between 1989-1997, 86 percent of the stock market gains went to the top 10 percent of households; 42 percent of that went to the most well-to-do one percent.
- Adjusting for inflation, the net worth of the median household declined by 10 percent between 1989-1997.

86 percent of the stock market gains went to the top 10 percent of households of which 42 percent of that went to the most well-to-do one percent.

- By 1995, the middle class had only enough savings to maintain their current standard of living for 1.2 months, down from 3.6 months in 1989.
- Though average household income rose 10 percent between 1979 and 1994, 97 percent of that gain was claimed by the upper 20 percent.
- Between 1983-1995, the bottom 40 percent of households lost 80 percent of their net worth; by 1995, 18.5 percent of households had zero or negative net worth.
- The two richest men in the country — Warren Buffett and Bill Gates (no relative of Jeff's) — own more productive assets than the bottom 45 percent of Americans.

Globally the situation , of course, is even worse

- In 1998, the world's 225 richest people had a combined wealth of $1 trillion, equal to the combined annual income of the world's poorest 2.5 billion people; the wealth of the three richest individuals exceed the combined Gross Domestic Product of the 48 least developed countries.
- At present, 3 billion people live on less that $2 per day and global population is expanding 80 million per year. World Bank President James Wolfensohn cautions that, unless we address the "challenge of inclusion," in 30 years we will have 5 billion people living on less than $2 per day.

Jeff Gates presents some eye-popping statistics in making the case for broadening capital ownership.

- In 1998, the 20 percent of the world's people living in the highest income countries accounted for 86 percent of total private consumption expenditures while the poorest 20 percent accounted for 1.3 percent.

The statistics presented by Gates were enlightening while at the same time startling and rather depressing. It is quite clear that there are a great many serious problems that need to be dealt with in something other than the conventional way they have been approached up to this point.

It behooves the policymakers of the world to seriously consider Gates' message to more fully embrace the concept and practice of widespread employee ownership. In Gates' view, that is the only way to restore the middle class and eliminate the massive inequities in the distribution of wealth that exist in today's society. □

*Jeff Gates has been deeply involved in what he terms "ownership engineering" since 1973 and is the author of the critically acclaimed book, **The Ownership Solution: Toward a Shared Capitalism for the 21st Century** (Addison-Wesley, 1998).*

__The Ownership Solution__ goes beyond an analysis of why broadening ownership is necessary to accomplish this end. It's available from your local bookstore for $27.50 hard back and $16.00 in paperback.

Gates is President of the __Shared Capitalism Institute__. According to its website, (www.sharedcapitalism.org), the Institute's mission is "to explore and explain the impact of ownership patterns and to press for changes that will result in a more inclusive and sustainable free enterprise system both in the United States and abroad."

Ford Funds COG Virtual Think Tank

Global problems require global solutions. This requires coordinated international action. The Internet has eliminated distance and time zones as an impediment to a truly international discussion. The Capital Ownership Group, with funding from the Ford Foundation, has established a Virtual Think Tank to enable people from all over the world to join together to develop and implement strategies for broadened ownership.

The **Capital Ownership Group (COG)** is an informal association of people who's mission is to: create a coalition that promotes broadened ownership of productive capital; reduce inequality of income and wealth; increase sustainable economic growth; expand opportunities for people to realize their productive and creative potential; stabilize local communities by improving living standards; and enhance the quality of life for all.

COG's Deborah Olson, right, Kent State University's Rosemary DuMont are pleased with prog-

Deborah Groban Olson, ESOP lawyer and Chair of the National Center for Employee Ownership, has facilitated the effort to get COG off the ground since a group of its initial members first began discussing the idea at the NCEO's April 1997 conference in Chicago. The group met in October 1997 to draft a mission statement and again in April 1998 to discuss an ambitious funding proposal to be developed and presented on behalf of COG by the OEOC at Kent State University.

Following a year of discussion with the Ford Foundation, the Capital Ownership Group has been awarded a $100,000 fifteen month grant to build COG's Virtual Think Tank. The project will create an efficient electronic network to develop viable policies and implementation strategies to broaden capital ownership through employee ownership in an increasingly global economy. COG's Virtual Think Tank will begin this task by filling three key needs: (1) moderating five important policy discussions via *listservs* and multiparty chat rooms; (2) housing an electronic library of downloadable articles around the theme of broadened ownership; and (3) hosting electronically the quarterly meetings of the project's Executive Committee whose membership is drawn from around the globe.

The Ford Foundation funding has allowed Olson to join the OEOC staff on a part time basis. The Center's staff is responsible for developing and operating COG's Virtual Think Tank, as well as moderating its initial five policy discussion groups. OEOC moderators will serve as recording secretaries, facilitate monthly on line discussions, and produce a paper which summarizes each group's discussion and recommendations for next steps in developing and implementing policy proposals.

Readers of *Owners At Work* are encouraged to check out the COG Virtual Think Tank at **http://cog.kent.edu** which came on line this summer. From your computer anywhere in the world, you can contribute prepared ideas in written form as well as participate in live-time discussions with other policy discussion group participants. You can also send papers and articles in electronic form and download those of others, which will be available in the Virtual Think Tank library.

Policy discussion topics

The Ford Foundation funding of the COG Virtual Think Tank is linked to a number of outcomes. Specifically, by the summer of 2000, the international discussions being hosted by COG should produce five papers aimed at developing policy, and strategies to achieve their implementation, in multiple countries. By registering at the COG web site, you can be included on a listserv to send and receive written contributions and participate in monthly live-time discussions on any of the following issues:

- ***The "Industrial Homestead" project:*** Explore the creation of policies which link government incentives provided to private corporations with reciprocal actions by these corporations to broaden ownership.

- ***Employee ownership in privatization:*** Analyze the uses (and abuses) of employee ownership in the privatization process internationally.

- ***Broadening employee ownership transnationally:*** Explore existing and potential structures for broad employee ownership to be used in multinational corporations and in international development projects, as well as other transnational actions for broadening ownership.

- ***Building employee ownership at the national level:*** Canvass the range of national legislative experiences and choices to promote employee ownership and their relative advantages and disadvantages.

- ***Building employee ownership at the subnational level:*** Look at international experience with state, regional, provincial, and city policies in the public and private sector to support the development of employee ownership.

Individual countries lack the uniformity of action necessary to meet the challenges presented by concentrated global ownership. Perhaps COG's Virtual Think Tank can play a role in establishing the global communication so fundamental for building the necessary international solidarity of action required. Come join us! Contact project staff at **COG@kent.edu**. □

Crocus Fund Blossoms in Manitoba

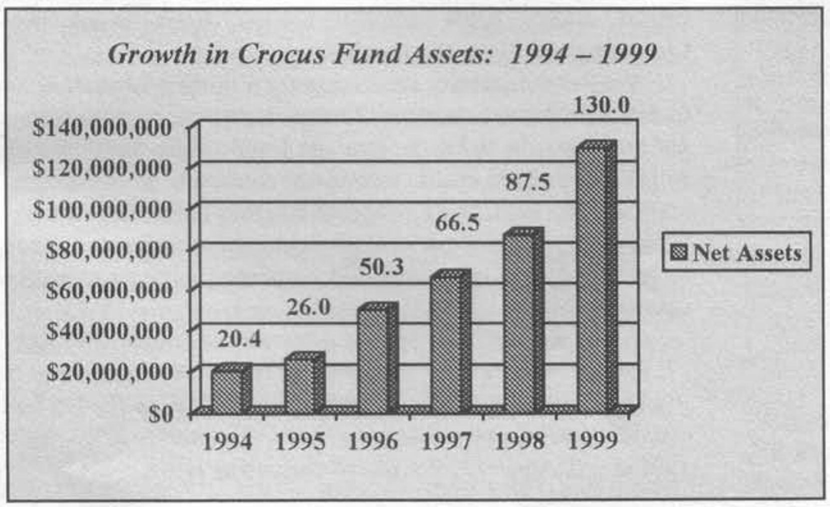
Since we ran our first story in 1995 on the achievements of the Canadian Labor-Sponsored Investment Funds in anchoring capital and jobs in Canada, we have followed the progress of Manitoba's Crocus Investment Fund, as it has grown from $26 million in 1995 to $130 million today. The Crocus Fund has a special ***preference for employee ownership****, both partnering with employee owners today and exiting from its investments by selling its stake to the employees in the future. It has been successful anchoring capital in Manitoba, growing Manitoba businesses, improving the quality of jobs, broadening ownership -- including creating more than 1200 new employee owners -- and providing a higher rate of return to its 22,500 shareholders than the Toronto Stock Exchange index. American policy makers ought to make a pilgrimage to Winnipeg.*

Since its establishment in 1993, the Canadian province of Manitoba's Crocus Fund has grown from nothing to its present $130 million in assets. Set up under Manitoba's Employee Ownership Fund Corporation Act, Crocus has raised that sum from 22,500 working Manitobans in Canadian-style IRA contributions — an average of less than $6000 each. Every dime of that money is earmarked for reinvestment in the Province of Manitoba.

Prior to Crocus, Manitoba was afflicted by the impact of an increasingly concentrated banking system and mutual funds industry channeling ordinary people's savings to the money centers and today's hot investment target — which was far more likely to be Japan's "bubble" market or to Indonesia or Malaysia, than job-creating investment in Manitoba.

Crocus, which is sponsored by the Manitoba Federation of Labor, now accounts for about two-thirds of all venture capital in the province of Manitoba. Half of its investments lead to employee ownership.

Think about it for a minute. The Manitoba Federation of Labor develops a capital strategy that emphasizes employee ownership. Twenty-two thousand working Manitobans put their IRA money in the fund that guarantees to reinvest in their communities and their friends and neighbors' jobs. In less than a decade, that fund has $130 million in assets in a province with a population of 1 million — less than the population of Greater Cleveland.



Goals and accomplishments

After 7 years, Crocus accounts for two thirds of the venture capital in Manitoba. Its goals, however, are distinctly different from those of other venture capitalists. They are:

- *retaining capital in Manitoba*
- *providing capital for business continuity and expansion*
- *retaining and creating jobs*
- *encouraging employee ownership and employee participation*
- *ensuring competitive rate of return for investors*

Its job impact has been impressive. Its $46 million in placements to date — now valued at $64 million — have saved 300 jobs, created more than 2000 new jobs, and maintained another 2500. "Each $20,000 invested creates one new Manitoba job — a job creation record which is unparalleled in the venture capital industry," Kreiner told the Crocus shareholders' 1999 annual meeting. Moreover, "we structure our investments so that the wealth they create is not only shared with you but also with the employees who have helped to create it. One quarter of all employees in our investee companies are owners in their companies through broad-based employee ownership plans. An equal number of additional employees will become owners by the time we exit from these investments."

Crocus is committed to "high road" jobs. "The Fund's commitment to jobs extends beyond job quantity to job quality," Kreiner continued at the shareholder meeting. "We believe that the most important determinant of a quality service or a quality product is a quality job, one which provides good wages and benefits, career advancement opportunities, empowerment through participation and financial security through ownership." Through its investment policies, Crocus supports benchmark high-road companies "which outperform their industries and put pressure on competitors to raise standards."

Despite making economic development, job retention, improved wages and benefits, and employee ownership part of its investment strategy, Crocus has outperformed other Canadian labor-sponsored funds, although a number of them operate on standard venture capital principles. Moreover, with its tax advantage amortized over the eight year holding period, Crocus has beaten the Toronto Stock Exchange index; its rates of return are 19.9%, 21.5%, and 16.7% over a one, three, and five year period, respectively. So it has been a rewarding experience for Crocus's shareholders.

How does Crocus do it?

"There's got to be something wrong in this picture," *Owners at Work* readers might protest. "How can a fund that screens for a variety of socially responsible corporate practices beat the averages?"

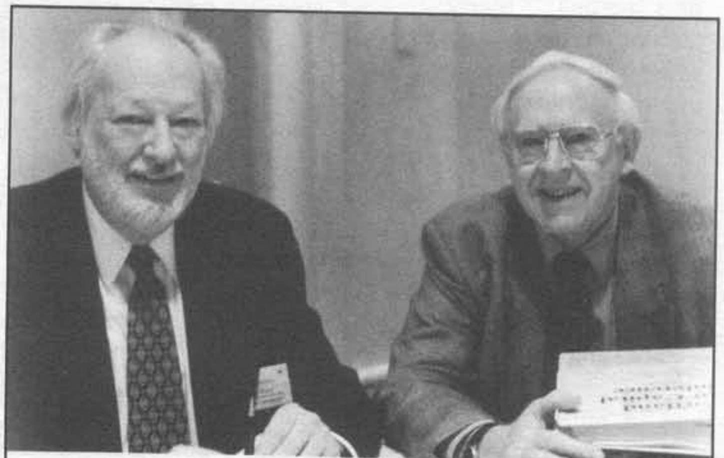
"Bad corporate practices are not necessarily good for shareholders," Logue answered. "Consider 'Chainsaw Al' and Sunbeam. Before you equate predatory practices with profits, check out where Sunbeam's stock ended up."

"Besides, Crocus is not alone. The Domini index of socially responsible investments in the US has regularly matched or beaten broader stock indices. Furthermore, Crocus screens for employee participation and encourages employee ownership; we know that combination boosts productivity. Crocus provides organizational development services to the companies it invests in as well to increase employee participation."

"Moreover, I suspect that Crocus' social screening process — which includes a good environmental record, good labor relations, and good health and safety — serves as a good surrogate measure for top management's leadership ability."

What's in Crocus's future?

"Where will Crocus be in ten years?" *Owners at Work* asked Kreiner.



Terri Davidson, left, and Karen Pitman pack lottery tickets at Pollard Bank Note Company, one of Crocus's earliest investments.

"I expect the fund to level off at about $250 million before then," Kreiner responded, "as redemptions after the eight year holding period begin to offset our annual inflow. But I expect us to undertake a variety of new initiatives, including sectoral funds, as we move up and down the capital stream."

The first sectoral fund -- the Manitoba Science and Technology fund -- is currently being launched. It will start with $12 million in initial capital for investment in information technology and emerging science companies seeking equity for research and development, commercialization, product development, market entry, production and marketing. Kreiner expects other sectoral funds to follow, including one targeted to economic development in Manitoba's large Indian community.

Given the fund's outstanding financial performance to date, Kreiner thinks that it can provide fund management services for provincial pension funds. "And why not launch wealth management services with social screens for pension funds?" Kreiner asks. "Their constituencies are very sensitive to socially responsible investment, and this need is not being met in Canada. Maybe there's a market for a Domini-type index fund in Canada too."

Accepting the 1999 Ohio Employee Ownership Achievement Award, Crocus Fund CEO Sherman Kreiner explained why the fund exists:

"In creating the Crocus Fund, the Manitoba Federation of Labour, now joined by our business community and our provincial government, said that it was time to stop hoping for that good job for ourselves or for our children, only to come up empty-handed day after day and week after week. Our message is that our economic future requires us to take control of our own financial institutions to use our own financial resources for our own benefit."

"People who invest in the Crocus Fund are committing our community to a path through which we will own our own economy. We are investing our savings for our own benefit. We are supporting our entrepreneurs and helping them grow their businesses. We are competing through long-term investments in people as well as hard assets and by creating quality jobs for empowered workers motivated by a financial stake in their own company."

"Fund investments in more than two dozen small and medium sized Manitoba businesses will create employee ownership opportunities for more than half of those companies' employees. For companies transitioning to employee ownership, the Fund provides a critical ingredient often missing — patient equity capital which helps employee-owned firms avoid overleveraging and fuels job growth."

"We foster employee ownership for a number of reasons — to maintain local ownership, to assure that business decisions are made locally, to assure that employees share in the wealth which they help to create, to transfer ownership from one generation to the next, and to improve business outcomes. We recognize that sustained performance outcomes require more than ownership alone, but ownership combined with participative management." □

Previous articles on labor and investment funds in the US and Canada have run in the Summer 1995, Summer 1996, Summer 1997 and Summer 1998 issues of ***Owners at Work****.*

Investing in Ohio's Future

For the last several years, Heartland Labor Capital Project, which is organized by the Steel Valley Authority, supported by the Steelworkers, and financed by the Ford, Rockefeller, and Mott Foundations, has sought to catalyze a change in attitudes on pension fund investment.

At issue is the question of employee pension funds making "alternative investments," that is, investments that look at other values than just financial return.

At the Heartland Project's Washington conference in April, an impressive array of evidence was mustered that "alternative investments" that highlight social responsibility (environment, health and safety, decent jobs) or negative screens (no tobacco, weapons) as well as investing in unionized firms can match the financial performance of conventional investment vehicles.

The success of the labor-sponsored Quebec Solidarity Fund, which has raised over $3 billion for reinvestment in Quebec -- and which now dwarfs the conventional venture capital firms in Canada -- provides graphic evidence of labor's power to anchor capital. The Solidarity Fund has saved, created or retained over 65,000 jobs in a province with an economy about half the size of Ohio's.

But you don't have to go to Canada to find successful alternative investment. Here are three of the American examples discussed at the conference:

- Domini Social Index, an index of 400 public firms selected for socially responsible action, has outperformed the S&P over the last one, three, and five years by six, four, and two percentage points respectively

- The AFL-CIO's Housing Investment Trust, the oldest union-sponsored alternative investment fund, has outperformed both the Salomon Mortgage Index and the Lehman Aggregate Bond Index, the relevant conventional benchmarks, over the last one, three, five, and ten years by 1 to 2 percentage points annually.

- The Union Labor Life Insurance Company (ULLICO) manages a direct private equity placement fund (Separate Account P) that targets the creation of union jobs as its goal. "It's fair to say that creating union jobs has seldom been so profitable," Michael Calabrese of the Center for National Policy, reported to the conference. "Separate Account P's annual return during its first three years has average 39%, while ULLICO's in-house portfolio that preceded "P" sports an internal rate of return in excess of 100% per year since January 1992."

Part of the reason for the superior performance of "alternative investment" funds is their lower operating costs. They don't churn their investments; and their commission, advising, and administration costs are lower. They tend to invest for the longer term.

Yet despite the striking success of these "alternative investments," only $500 million of the $350 billion in multi-employer pension funds (the "Taft Hartley funds") which are jointly controlled by unions and management are in private equity investments. According to ULLICO's Michael Steed, that's only 1/7 of 1%, compared to the 5 to 15% of assets that many corporate and public employee pension funds put into private equity placements.

The most promising aspect of this Heartland conference was the fact that, for the first time, many of the participants were Taft-Hartley plan trustees, fund managers, and financial advisors.

Fernand Daoust and Bob Dean, founders of Quebec's Solidarity Fund, at the Industrial Heartland Forum in April.

Let's cut to the chase

The best way to broaden ownership among working Americans — and stop the growing inequality that Jeff Gates documents elsewhere in these pages — is to use a part of their pension fund investments for that purpose.

Owners at Work has reported with regularity on the development of employee-ownership investment funds (for the most recent articles, see the Summer 1998, and Winter 1997/98 issues). The success of the KPS Special Situations fund in buying the Champion Paper Dairy Pak Division is the lead story in this issue. Note that KPS's exit strategy is to sell its stake to the employees in five to seven years.

The other major employee ownership fund, American Capital Strategies, has done five employee ownership deals since its initial public offering in August 1997. One of those is the ACS-employee purchase of Borden's vinyl division, which is headquartered in Columbus, and now named Decorative Surfaces International (see the Summer 1998 issue of *Owners at Work*). The market views ACS favorably; this publicly traded security is up about a third over its initial offering price.

It is also worth noting that the ACS Employee-Ownership Index of 350 publicly traded firms which are at least 10% employee owned has consistently matched or outperformed the major stock indexes since the index was established in 1992. Half a dozen studies now document the fact that participatory employee owned firms outperform both their conventionally owned and participatory competitors and non-participatory employee-owned firms.

Moreover regional funds, like the Building Trades ERECT Fund in Western Pennsylvania and Northeast Ohio and the Ohio Brotherhood of Carpenter's pension fund investment policy, demonstrate that local reinvestment pays off in jobs as well as competitive pension fund rates of return.

Isn't it time for the Ohio Employee Ownership Fund? □

Focus on Labor Sponsored Investment Funds

Good Books from the OEOC

Participatory Employee Ownership: How It Works. Best Practices in Employee Ownership (1998), by John Logue, Richard Glass, Wendy Patton, Alex Teodosio, and Karen Thomas. At last a best practices manual for establishing and growing participatory employee-owned companies! Written for the Steelworkers' Worker Ownership Institute, this volume discusses how to do participatory, democratic employee ownership from buying the company through issues of mature ESOP firms. It covers how to do a buyout, choices in writing the ESOP, how to design participation systems from the shop floor to the boardroom, best practices in communications, training, pitfalls to avoid, and your employee-owned firm in the community. 192 pp. ISBN 0-933522-23-1 (hardback) $24.95; ISBN 0-933522-24-X (paperback) $14.95.

Reviewers praise *Participatory Employee Ownership:*

"A valuable practical resource for any employee group considering an employee buyout or companies trying to get employees more involved." — *National Center for Employee Ownership*

"The principles and practices outlined in this book provide useful guidance to any company looking to establish effective organizational structures to promote effective participatory practices... This book is an excellent resource to learn about effective practices and procedures that have been implemented in an employee ownership environment."

— David Binns, *Leading Companies E-zine* at www.fed.org

Taking Ownership of Safety: Case Studies of the Safety Management Process at Five Ohio Employee-Owned Companies. (1999). Edited by Dan Bell, Steve Clem and Karen Thomas. While employee owners have all the same reasons to work safely and identify hazards as workers in traditional companies, they have a greater opportunity to eliminate unsafe conditions and behaviors. The case studies, organized around the Ohio Bureau of Workers' Compensation Ten-Step safety program, chronicle the efforts of five employee-owned companies in Ohio to involve their employees in the creation of a safer workplace. 40 pp. ISBN 0-933522-26-7 $9.95.

An Owner's Guide to Business Succession Planning (1999). Stephen Clifford & edited by Alex Teodosio. Provides a systematic, step-by-step approach to planning for ownership and management succession in closely held businesses. Designed for the business owner, this manual covers alternative succession strategies, including ESOPs. Includes list of recommended readings and practical worksheets. 64 pp. ISBN 0-933522-25-3. $14.95.

An Employee Owner's Guide to Understanding Financial Reports, by Dan Bell (1994). Do the employees in your company understand the financial information. Since 1988, the OEOC has trained non-managerial employees in how to understand their company's financial statement. The workbook section of *An Employee Owner's Guide* builds the financial statements — profit and loss, balance sheets, and cash flows — and covers the basics of ESOPs. The second half of *An Employee Owner's Guide* provides a thorough, home-study review. The instructor's manual and overhead slides for teaching this material are also available through OEOC's financial train-the-trainer workshops. Bulk discount available. 64 pp. $12.95.

Bringing Your Employees into the Business: An Employee Ownership Handbook for Small Business, by Daniel Bell (1988). This handbook introduces the owner of a small business to the numerous advantages of employee ownership as a way of selling the business at retirement, an employee benefit program, and a creative means of increasing a company's cash flow. 111 pp. ISBN 0-93522-18-5 (hardback) $18.95; 0-933522-19-2 (paper) $9.95.

OEOC Publication Request

Quantity:	Publication Title:	Publication (ISBN #):	Price:

Name: ______

Address: ______

City: ______ State: ______ Zip (+4): ______ - ______

Phone: ______ Fax: ______

Please mail order form to *OEOC, 309 Franklin Hall, KSU 44242.* Your order will be shipped with an invoice for payment.

This Issue of Owners At Work Co-sponsored by:

THE OHIO DEPARTMENT OF DEVELOPMENT

Labor Management Cooperation Program

Work Co-sponsored by:

COOPERATIVE CHARITABLE TRUST

OWNERS AT WORK

Volume XI, No. 1 **Summer 1999**

IN THIS ISSUE:

OEOC
309 Franklin Hall
Kent State University
Kent, OH 44242

Printed on recycled paper

Non-Profit Organization
U.S. Postage PAID
Kent, OH 44240
Permit No. 2

ADDRESS CORRECTION REQUESTED

UPCOMING NETWORK EVENTS

July 15
Dayton, OH
Managing Repurchase Obligations
Funding strategies and payout options.

August 19-20
Deep Creek Resort
4th annual CEO Retreat

September 16
Dayton, OH
ESOP Communication Committee Training

October 21
Kent, OH
&
October 26
Dayton, OH
CEO Roundtable / Network Annual Meeting
HR Reps Roundtable
Half-day discussions with open agenda on timely topics selected by participants. Held in conjunction with the Annual Meeting of Ohio's Employee-Owned Network.

October 28,29,30
Mohican State Park
Employee Owner Leadership Development Retreat

December 2
Kent, OH
Advanced ESOP Training
Fiduciary roles and major responsibilities of ESOP trustees, ESOP Administration Committees, and nonmanagerial directors.

April 28, 2000
Akron, OH

14th Annual
Ohio Employee Ownership
Conference

Company showcase is on April 27th

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

OTHER EVENTS

August 6-8
Chicago, IL
ESOP Association Employee Owner Retreat
For more information, see page 11

September 30
Chicago, IL
ESOP Repurchase Obligation
Sponsored by The ESOP Association
Call Rosemary Clements, 202-293-2971

October 5-7
Salt Fork Lodge
Buckeye Labor – Management Conference
Call Karen Conrad, 1-800-848-1300

October 12
Columbus, OH
(Tentative)
NCEO Broad Based Stock Options Workshop
National Center for Employee Ownership
Call Ed Carberry, 1-510-208-1800

October 13
Columbus, OH
Ohio ESOP Association Fall Conference
Ohio Chapter of the ESOP Association
Call Karrie Imbrogno, 440-989-1552

November 17
Southeast OH
OEOC ESOP Workshop
Call Dan Bell 330-672-3028

Preliminary Feasibility Grants

The Ohio Employee Ownership Center (OEOC) administers the Ohio Bureau of Employment Services' (OBES) 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.

visit our website at www.kent.edu/oeoc