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And is it right for your ESOP?

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Editor’s Note

On the whole, this issue exhales a palpable sigh of relief that the business recession seems to be coming to an end, even though the end of the unemployment recession has been painfully slow in arriving and nobody wants to say it’s over yet.

Employee owned companies that were worrying about survival last year are celebrating accomplishments and looking to the future. This issue celebrates an extraordinary number of prize-winning ESOP companies and employees, suggesting that employee ownership in Ohio is continuing to develop and polish its performance. The 25th Annual Ohio Employee Ownership Conference had strong, if not quite record-breaking attendance. Keynote speaker Jeff Evans, CEO of Will-Burt, offered much good advice in his story of Will-Burt’s success during the Great Recession, even when the reality exceeded anything they had planned for. And Mondragon Cooperative Corporation’s Michael Peck reminded the attendees that much more can be done to bring employee ownership to more Ohioans.

Most discussion at the conference was of the more usual sort of problem solving and plans for going forward. After the slide in stock values brought most thoughts of selling companies to an end, interest in ownership succession plans, including selling to employees, has revived.

The substance of two panels on containing health care costs included a variety of innovative solutions. An emerging idea for ESOPs that like their employee ownership and want to stay that way is the B Corporation, which includes corporate purposes in addition to increasing shareholder value.
Ohio Employee Ownership News

Ohio’s Award-Winning Employee Owners

CTL Engineering is OH/KY Employee-Owned Company of the Year

CTL Engineering was named the 2011 Employee-Owned Company of the Year by the OH/KY Chapter of The ESOP Association. CTL is 85% employee-owned through an ESOP established in 1998. Combining strong management with employee ownership and involvement that includes strategic planning, the Columbus-headquartered, firm has 250 employees in nine offices in OH, IN, and WV. CTL provides engineering, testing, analysis and consulting services in environmental, geotechnical, roofing, forensic and civil engineering areas.

Perry Corporation’s ESOP Video Wins National Communication Award

Perry Corporation of Lima took The ESOP Association’s National Award for Communications Excellence (AACE) in the Audio Visual category. TEA President, Michael Keeling, praised the video for its use of humor to communicate the link between ESOP participation and the long-term rewards of ownership and business success. Featuring a Gilligan’s Island theme with Perry’s ESOP committee members dressed as the show’s TV characters, the video was enjoyed by hundreds of attendees at the TEA 34th Annual Conference and AACE exhibit in Washington DC.

CTL’s Becky Carroll is OH/KY Employee Owner of the Year

Becky Carroll, Payroll Administrator of CTL Engineering, is the 2011 Employee Owner of the Year for the Ohio/Kentucky Chapter of The ESOP Association. With 11 years at the firm, she serves on CTL’s ESOP Education Committee, also known as the Fun Czars, whose three members lead and promote “celebration, teaching, learning, and ownership” company-wide.

“As a member of the ESOP Education Committee, it is my duty to educate our employees on the importance of the ESOP. I feel I make a difference when employees take ownership and pride in where they work,” she remarked.

PRC’s Team wins OH/KY Group Excellence Award

The ESOP Communication Committee of Prentke Romich Company was selected by the Ohio/Kentucky Chapter of The ESOP Association as the winner of the 2011 Group Excellence Award. This annual award acknowledges companies that have excelled in communicating the ESOP and its meaning to the company’s employees. PRC is a worldwide leader in the development and manufacturing of augmentative communication devices and other assistive technology for people with speech and other disabilities. PRC is 100% employee-owned through their ESOP established in 2003. Headquartered in Wooster, the firm employs 165 people worldwide.

The ten members of the ESOP Communication Committee represent each area of the company. They develop company-wide education through the internet, annual participant meetings, small-group birth-
day lunches with their company president, matching of new employees with senior employees, and learning games with cash prizes.

Andrew Kulesza is 2011 Outstanding TEA Board Member

Andrew Kulesza, CFO/Treasurer of RE Kramig & Co., headquartered in Loveland, was named the 2011 Outstanding Board of Governors Member by The ESOP Association for his volunteer service and strong support of the Association’s government affairs activities. “Andrew has worked enthusiastically to advance the cause of employee ownership, particularly with leading think tanks and federal officials,” said J. Michael Keeling, ESOP Association President.

Six ESOPs Win Leading EDGE Awards

2010 Leading EDGE Awards honor companies in Northeast Ohio that create significant value for themselves, their communities, and the region, as measured by return to shareholders, average earnings, employee compensation, and regional business support. Six employee-owned firms are among the 2010 honorees for the award, which is sponsored by Crain’s Cleveland Business and Entrepreneurs EDGE.

Delta Systems in Streetsboro is 30% employee-owned by its 180 employees through an ESOP established in 1994. The firm produces and distributes electrical switches, electronics, and FreeRein® wireless control systems, and turnkey contract

Award Winners at The ESOP Association Annual Conference: (Left) Receiving the 2011 Group Excellence Award are PRC’s employee owners (l to r): Misty Gustafson, Monica Stevens, Mary Bing, Chair, and Brenda Goodrich; (Center) Kevin Middleton, Becky Taylor, and Chris McConnahea of Perry Corporation’s ESOP Communication Committee received the AACE Excellence Award for Audio Visual; (Right) The 2011 Employee-Owned Company of the Year Award was collected by CTL’s employee owners (l to r) Ali Jamshidi, CFO and members of CTL’s Fun Czars including Jessica Donley; Dawn Pressler; and Becky Carroll, and C.K. Satyapriya, CEO. (Photos courtesy of the OH/KY Chapter of the ESOP Association).
Ohio Employee Ownership News

manufacturing/EMS services.

**Falcon Industries** is a 30% employee-owned firm that established its ESOP in 2000. Headquartered in Medina, with a location in Minnesota, the firm specializes in metal fabrication of custom conveyor screws, screw flying and machined conveyor screws for moving materials in a broad range of applications.

**EBO Group Inc.** and its subsidiaries PT Tech Inc., TransMotion Medical Inc., Triton Hybrid Drives Inc. and IPESol Inc. provide products to the industrial, medical, and renewable energy markets. The ESOP was established in 1990 and the firm is now 100% ESOP owned. Located in Sharon Center, the firm has 83 employees.

**Garland Industries** is a Cleveland-based 100% employee-owned ESOP established in 1986. Garland’s more than 500 employees operate out of five manufacturing facilities in OH, GA, AL, AR, and CA. Garland Industries and its 12 operational businesses specialize in high-performance manufacturing, design and installation of commercial roofing and building solutions.

**Plasticolors, Inc.**, an employee-owned company located in Ashtabula, OH, is a leading supplier of pigment and chemical dispersions to the paint, coatings, caulk, sealants and thermoset plastics industries. Founded in 1970, the company has 125 employees. Plasticolors manufactures products for customers in the automotive, appliance, equipment, electrical, industrial, consumer, and construction markets. It is ISO 9001, ISO 14001 and ISO/TS-16949 certified.

**Rable Machine** is a 100% employee-owned precision machining company in Mansfield which specializes in CNC Swiss, CNC Turning and Milling, CNC Screw Machines, with many value-added services. The ESOP was established in 1992 and the firm has 80 employees. Rable is ISO 9001 certified.

**OEOC’s 2011 Ohio Employee Ownership Awards**

Lillian Kuri and India Pierce Lee of the Cleveland Foundation received the John Logue Employee Ownership Excellence Award. Lillian A. Kuri is the Program Director for Architecture, Urban Design and Sustainable Development at The Cleveland Foundation. She was early to recognize and take advantage of the potential linkage of the two vastly different neighboring communities. This innovative solution took advantage of the demand for products and services required by the anchor institutions in one neighborhood, and tied them to newly created worker-owned businesses that reside in the surrounding community. The result? A sustainable and replicable model of employee ownership for the creation and anchoring of wealth within urban areas that had long suffered from economic hardship.

India Pierce Lee is a Program Director for Neighborhoods, Housing and Community Development at the Cleveland Foundation. She has helped lead the Cleveland Foundation’s Greater University Circle area initiative with a particular emphasis on community wealth and economic inclusion. Ms. Pierce Lee provided the guidance for the successful implementation of the Evergreen Cooperative Initiative. From the beginning, India has insisted that the Evergreen Initiative companies aim higher by not just meeting but exceeding the service and quality needs of their customers. India has long championed the ideal that the Evergreen family of companies be “best in class”. Their commitment to creating from the Evergreen project a model for other distressed urban areas resulted in the Cleveland Foundation receiving a more than $15 million grant to expand development in the GUC area and to replicate the Evergreen Cooperative Initiative through the Living Cities Integration Initiatives Project.

**Perry Corporation, for 25 Years of Employee Ownership.**

This Lima-based independent office technology dealer established its ESOP when company founder Rex Perry sold his stock as an owner succession strategy in 1986. In 1996, the company became 100% ESOP-owned. The firm now has six branch locations and a wholly owned subsidiary.

With expansion came the need to form an ESOP committee to keep communication open, build unity around their business vision, and support recruitment efforts. Perry’s ESOP Committee members represent each location and share a commitment to educate themselves for their communication role.

**Riesbeck’s Food Markets, for 25th Anniversary of their ESOP.**

Riesbeck’s Food Markets is both family-owned and 57% employee owned through an ESOP. Started in 1932 as a corner grocery store by Grandma Riesbeck, a widow with five children, today this retail grocery chain includes 14 stores in eastern Ohio, two in West Virginia, and six pharmacies. Headquartered in St. Clairsville, the firm has 1,300 associates.

The ESOP, established in 1986, is the major reason why Riesbeck’s is still locally owned. And it fits Riesbeck’s vision of building an environment of respect and dignity for employees and customers. It provides a generous retirement plan and a market, which would not exist otherwise, for the Riesbeck family’s stock.

**DimcoGray, for 25 Years of Employee Ownership.**

DimcoGray, an industry leader in plastic knobs and handles, became 100% employee-owned in 1986 and went on to establish a culture dedicated to customer success through ISO certification, preferred partnerships with OEMs worldwide, and the launch of DG Medical. Based in Centerville, the firm has 55 employees. The workforce is represented by the IUE, the International Union of Electrical Workers.

The company’s roots go back...
to 1924 when the Dayton Insulating Molding Company was formed. It merged with Gray Laboratories in the 1940s. The employees formed a buyout association and used an ESOP to acquire the company when its second-generation family owner retired.

The firm’s recent launch of DG Medical, which supplies molded thermoplastics for medical devices, is part of a major capital investment in state-of-the-art equipment and cleanroom environments.

**Voto Sales, for 30 Years of Employee Ownership**

Voto, headquartered in Steubenville, is 100% employee-owned through an ESOP. Founded in 1938, Voto serves heavy industry in the Ohio Valley and western Pennsylvania with mill and mine supplies and equipment including wire rope, chain, lubricants, and hydraulic hoses and fittings. The ESOP was started in 1981, when the son of founder Harry Vogelsang was ready to retire. He could have sold to an outsider but felt that an ESOP would be good for everyone. He was right. Even with the economy in a slump, they have done well.

Voto’s 47 employee owners work together, sharing business financial information and asking questions at their monthly meetings. Everyone has a voice in governance, with pass-through voting for board members. Success is shared through dividends, bonuses, and yearly ESOP contributions. Education and career growth is encouraged through job training, advancement, and participation in ESOP conferences and workshops.

**Grand River Rubber and Plastics – for Getting Your ESOP Off to a Good Start**

The 200 employees of Grand River Rubber and Plastics, headquartered in Ashbula, purchased 100% of the company on January 5, 2011. The ESOP provides an exit strategy for the two former owners, who will hold the note and continue to manage the business until the loan is paid off. The ESOP also rewards the long-term employees, many of whom are members of United Steelworkers Local Union 1020L, who have already set up an ESOP Communications Committee and an ESOP Administration Committee to ensure their ESOP transition moves forward successfully.

Grand River is a manufacturer of lathe cut washers for varied industries, flat drive belts for the floor care industry, and tubular products. The company is ISO 9001: 2008 certified and serves customers worldwide.

**Lake to River: Healthy Local Food Co-op Starts in Youngstown**

This May, local farmers in Northeast Ohio joined forces with institutional buyers, such as schools and hospitals, forming a multi-stakeholder co-op, the Lake to River Cooperative. The co-op will provide a distribution channel to source local foods between two membership classes (institutional consumers and producers), helping to jump start a regional food system.

In celebration of the newly formed cooperative, St. Elizabeth Health Center in Youngstown, Ohio hosted an indoor farmers market in one of the hospital’s private dining rooms, showcasing some of the local farmers. Hospital staff, residents and community members gathered in the room to purchase locally grown fruits, vegetables, herbs, and grass fed beef.

Ultimately, the cooperative’s goals are to supply Northeast Ohio’s communities with healthy, local, and preservative-free foods as well as helping farmers maintain sustainable businesses. Lake to River Cooperative, which already has commitment from large buyers like St. Elizabeth’s, is well on its way to attaining its mission.

If you are interested in learning more about Lake to River Cooperative, please contact Jim Converse at jwconverse@gmail.com or 330-518-6971.

**Flywheel Tech Collective: Create Your Own Job**

With the current recession and unemployment in the state hovering above 8%, stories of jobless graduates are flooding the news outlets. Yet not all twentysomethings are waiting for the job market to recover. Some have taken their economic fate into their own hands and created careers by forming a new cooperative business.

In November 2010, Cleveland residents, Richard Schulte, Tim Hemphill, Alex Cantrell, and Shawn Cresante decided to incorporate their own web design business, which they called Flywheel Tech Collective. It provides web development, ERP system implementation, business software development, and other services.

Flywheel Tech Collective is registered as an LLC but operates as a collective, where all decisions are made by consensus and there is no management hierarchy. The collective structure is a way to recognize that each of the four members is of equal value to the business, adding their own individual niche.

Before Flywheel, three of the founding members were either recent graduates, freelancers or involved in community and volunteer positions. Only one member had a permanent job (with NASA). Nevertheless, the Flywheel members decided not to follow their peers and resisted sending countless resumes to big firms, not just because of the poor job market, but also because they wanted to bolster struggling local businesses by providing more transparent and affordable services. Using technology to sustain a regional economy is a paramount principle of the collective and a guiding compass for which jobs they decide to take.

As of right now, there are the four original members and two consultants on Flywheel’s payroll. The consultants have been invited to join the collective but have not yet accepted membership. Flywheel’s business, however, is heating up rapidly and they are swamped with new jobs, including designing software for health care businesses and websites for community organizations. As Flywheel acquires more clients, they are hoping to hire more employees and expand their collective team. Flywheel can be reached at http://www.flywheelcollective.com/ or 216-206-6026.

**In Memoriam: Mark Stewart**

Mark Stewart passed away on March 11, 2011, at the age of 64 after an 11-year battle with multiple myeloma. A partner with the Toledo OH law firm of Shumaker, Loop & Kendrick LLP, he was the principal author of the current Ohio Cooperative Law and was frequently consulted to provide counsel to worker-owned cooperatives across the country.

It was through his efforts that the OEOC was able to execute the first-in-the-nation 1042 rollover-eligible sale of a business from its selling owners to a worker-owned cooperative. Mark created the legal framework that allowed the enterprise to be classified as a co-op whose members owned less than 100% of their company during an installment purchase from the selling owners. He was an extraordinary expert in cooperatives who would willingly, patiently, and tirelessly explain co-op intricacies to audiences who asked every question under the sun. His experience, good humor, enthusiasm, and leadership will be missed.
Employee-Owned Cooperatives in U.K. Are Rich in History and Promise for the Future

Bill McIntyre

Editor’s Note: This article was developed following a week’s tour of worker owned cooperatives in England and Scotland in summer 2010. The tour was sponsored by the Cooperative Charitable Trust, headed by Bob Giel and Suellen Hershman-Tcherepnin.

In Britain, the first modern cooperatives nearly vanished after a struggle to be established and a century of success, but now they are flourishing once again. Dictatorial management and membership indifference were what nearly brought them down, but new laws, better organization, and a new generation of leaders and members set them on the path toward recovery after they passed their 150th year.

Where Co-ops Began: the Rochdale Pioneers

The Rochdale Pioneers Museum is located in the store at 31 Toad Lane where the Rochdale Equitable Pioneers Society, widely regarded as the first successful consumer cooperative, opened its doors for business on December 21, 1844. The Rochdale Pioneers studied the reasons for earlier cooperatives’ failures and established policies that they hoped would help them succeed.

And succeed they did. The cooperative movement has grown from those initial 28 members and £28 in capital to more than 3 billion members in over 100 countries.

The original rules and recommended practices of the Rochdale Pioneers indicate concerns that were ahead of their time: ethical conduct, democratic governance, sharing of profits, equal treatment of the sexes, education, and open book management.

The Museum website (www.museum.co-op.ac.uk) sets forth the original rules of conduct from the Pioneers’ annual almanac:

• Capital should be of their own providing and bear a fixed rate of interest.
• Only the purest provisions procurable should be supplied to members.
• Full weight and measure should be given.
• Market prices should be charged and no credit given nor asked.
• Profits should be divided pro rata upon the amount of purchases made by each member.
• The principle of ‘one member one vote’ should obtain in government and the equality of the sexes in membership.
• The management should be in the hands of officers and committee elected periodically.
• A definite percentage of profits should be allotted to education.
• Frequent statements and balance sheets should be presented to members.

While modern principles for cooperatives are not the same as the original Rochdale Principles, the influence of the Rochdale Pioneers remains. The seven Cooperative Principles, adopted by the International Cooperative Alliance, the global organization for cooperatives, at the Centennial Congress in Manchester, England, in 1995, are:

• Voluntary and open membership.
• Democratic control – one member one vote.
• Fair distribution of surplus.
• Autonomy and independence.
• Provision of education and training.
• Cooperation with other cooperatives.
• Concern for the community.

Co-operatives UK

Conflicts among different types of cooperatives contributed to the weakening of the movement in the UK. Dr. John Butler, Past Secretary General of Co-operatives UK, reported that in the 1880s there was a schism between consumer co-ops and worker owned co-ops that lasted until the 2000s, when they joined to form the Co-operatives Union, now Co-operatives UK, the trade association for cooperatives in the UK.

In the last half of the 20th century, many cooperatives became overly dependent on their management. Members of the board of directors typically received no education about their responsibilities, employees were not involved in management decisions, and, as a result, many co-ops were demutualized (sold to conventional firms). The problem came to a head in the 1990s in the Lanica affair, when two co-op executives received £2.5 million ($4.1 million) for facilitating a private-sector takeover of the Co-operative Wholesale Society. Shortly thereafter, Parliament passed the Industrial and Provident Societies Act. Among other provisions, the Act caps at £20,000 ($32,800) the amount that an individual member can receive if a cooperative is sold. The demutualization of co-ops stopped, and their prospects for survival improved.
Guided by the principle that “good governance leads to trading success,” Co-operatives UK now requires annual co-op reports to explain the education of the board of directors and the co-op’s level of compliance with best practices. The report should also include business performance indicators and measures of environmental and social performance.

Butler observed that a big challenge for co-ops is succession planning. Previously, the process was informal and often based on seniority. Now, the search is expected to follow typical business practice, including the use of executive search consulting firms.

The UK (including Scotland) has about 5,000 co-ops with 12.9 million members and 238,000 employees, and generates £33.5 billion ($55 billion) in annual revenue. The 411 worker-owned cooperatives, with 2,050 members and employees, are only a small percentage of all, with annual revenue of £146 million ($239 million). On average, worker-owned cooperatives have about 50 employees, but the median is only two.

However, interest in worker-owned cooperatives is growing. In 2006-09, there were about 30 new worker co-ops in a year, and there were 30 in just the first quarter of 2010.

### The Co-operative Group

The Co-operative Group (CG) is the largest member of Co-operatives UK. Its website (www.co-operative.coop) states that it is the UK’s fifth largest food retailer, third largest pharmacy chain, number one in funeral services, and the largest independent travel business. Its 5.5 million consumer members employ 120,000 people in about 4,800 retail outlets.

According to Martin Hulme, Director of Strategic Planning for CG, market share of cooperatives in the grocery industry declined from 30% in 1960 to 5% by 2005. By that time, however, recovery efforts were already in motion.

From 2000, CG acquired or merged with additional co-ops and conventional firms, including Somerfield, a general merchandiser and food store, Britannia Building Supplies, and co-operative societies in Lothian and Plymouth. A re-branding campaign developed internal and external similarities among all its outlets. “The Co-operative” stores today are immediately evident by their consistent and unique external signs.

The results have been impressive: 17 consecutive quarters of sales increase, with sales doubling every 2 years, and market share climbing past 8%. And the Co-operative brand is now one of the UK’s most trusted brands.

Brad Hill, CG’s Fairtrade Strategic Manager, cited the objectives of “responsible retailing” and having a “leading position on all things ethical” for 4,500 products under the fair trade umbrella. Kristian Mills, Head of Brand Governance and Standards, reported that in 2005, its brand value was zero. In 2009, brand value had grown to £2.2 billion ($3.6 billion).

Five pillars of branding for CG are:

1) Consistent Quality – “as good as” name brand products
2) Rewarding – the Co-operative members’ rewards card is used across all its businesses
3) Trustworthy – honest, open and fair
4) Community – close relationship of the cooperatives and their community
5) Championing – Recycling, solar power, etc.

Profits of CG are 60% reinvested in the business, with 28% distributed to members, 8% to employees and 4% to the community and campaign teams.

### John Lewis Partnership

The John Lewis Partnership (JLP), founded in the early 20th Century, is more like an ESOP than a cooperative. JLP shares are held in trust, and the beneficiaries of the trust are the Partners, the 76,500 permanent employees of the company in 2010. Through the Trust, the Partners own 32 John Lewis department stores and 255 Waitrose supermarkets. The Partners share the profit and have oversight of management decisions through several democratic bodies.

In the just-released financial report for the year ending in January 2011, JLP had profits (before paying taxes and the annual partnership bonus) of £368 million ($603 million) on sales of £8,206 million ($13.452 billion). The average partnership bonus was about £2,500 ($4,100). The Partner bonus is calculated solely on the overall performance of JLP. There are no department, store, division or company bonuses. In 2009, it amounted to 15% of pay, and about 17% in 2010.

The JLP Constitution resembles the U.S. Constitution in creating a representative government with checks and balances. Partners elect the 64 members of the Partnership Council, which recommends overall policy and can remove the Chairman with a 2/3 vote. The Partnership Council appoints five members of the 14-member Partnership Board. Other members of the Partnership Board are the Chairman and Deputy Chairman, along with five JLP members and two outside members appointed by the Chairman. The Chairman of JLP is nominated by the outgoing Chairman, and approved by the Partnership Board. The entire JLP Constitution as well as recent financial reports can be downloaded from http://www.johnlewispartners.co.uk.

JLP’s Counsellor and Registrars are responsible for maintaining the partnership constitution and its culture, explained Registrar Marcus Safadis. Registrars are appointed by the Partners’ Counsellor, who is a member of the Partnership Council and appointed to the Partnership Board by the Chairman. The Registrars educate new members, serve as local representatives of the Counsellor, function as channels of communication between Partners and Partnership authorities, and approve sales of units and divisions. In effect, they act as ombudsmen, investigating problems that may violate the Constitution or harm JLP, and facilitating solutions. Safadis explained that Partners rotate through the position of Registrar, to spread the culture as widely as possible.

A John Lewis Partnership store in Trafford, UK.
To maintain employee ownership, the JLP Constitution, established by founder John Spedan Lewis, states that the business cannot be sold without approval of the Queen, and she is under instructions to never approve a sale!

Co-operative Development Scotland

Scotland has 485 co-ops with 28,600 employees and £4 billion ($6.6 billion) revenue, reported Sarah Deas, Chief Executive of Co-operative Development Scotland (CDS). Fifty of the co-ops are worker-owned, with 4,270 employees and £708 million ($1.2 billion) revenue.

CDS assists companies with prefeasibility studies, learning visits, legal structures, funding options and sources, and member participation and education for both startup ventures and conversions of existing companies into worker co-ops. For smaller companies, they provide a standard template to help reduce service provider fees.

Martin Meteyard, a consultant for CDS, lamented the difficulty in obtaining external investments for worker co-ops.

Edinburgh Bicycle Cooperative

Edinburgh Bicycle Cooperative (EBC) was founded in 1977 and currently has 200 employees, of whom 130 are co-op members. After one year of employment, acceptance by existing members, and payment of £2.94 ($4.76), employees can become members. The board of directors is elected by members on a one-person one vote basis. Management style is open and consultative.

Michael Sweatman, Finance Director and former Managing Director, stated the attitude of EBC as “we like business, we like competing in markets, we like globalization … we’re just not convinced about capitalism.” Later, he also commented, “We’re not passionate about cooperatives. What we’re passionate about is bicycles!”

EBC has grown partially by acquisition. Said Sweatman of a bicycle store they bought in Newcastle: “Several months after EBC took over the store, a customer commented, ‘The best thing you did was get rid of the grumpy bastards who worked here and replace them with employees who are happy to work here and are excited about the product.’ But EBC had not replaced the staff. It was exactly the same staff. EBC gave them a reason to care and a quality product to sell.”

Democratic governance is the rule at EBC. A simple majority rules, even for major decisions. “We make no attempt to achieve consensus,” said Sweatman, “but 90% of the decisions do achieve consensus.” Co-op members share an annual bonus equal to 50% of profit above a target figure. The bonus is allocated based on hours worked. There is a maximum allowed ratio of 8:1 between the highest and lowest paid employees.

An employee benefits trust owns the shares. After an auditor values the company each year, shares are issued to members free of charge, based on hours worked. The annual distribution of shares is limited to a maximum of £3,000 per member, the maximum amount members can receive and not be taxed. Only members or former members can own shares, and former members cannot vote their shares. Once a year, shares can be traded internally among members. Members can get the cash value of their shares after three years, but they must pay income taxes if they do so. If members hold the shares for five years, they can cash them out tax free.

EBC’s rules include provisions to discourage a sale. A 75% vote of members is required to change the rules. The employee benefit trust has a “golden share” that the trustee can use to veto any change to the rules. Jeremy Miles, the Managing Director, is the current trustee. However, after 6 months, members can vote to change the trustee. The net impact is that EBC’s rules can slow down a sale of the business but not prevent it altogether.

Tullis-Russell

Tullis-Russell (T-R) is a paper mill outside Edinburgh with 750 employees. David Erdal, as the then chairman, led the transfer into employee-ownership between 1985 and 1994. Since then the employee benefit trust (EBT) has owned around 60% and a family-owned charitable trust 28%, with the employees owning the rest as individuals. Voting is one person, one vote. There are nine trustees: four elected by employees, four appointed by the board, and one independent trustee appointed by agreement of both groups. Each year, 7.5% of profits are given to employee owners in the form of shares and a further 15% of profits in cash.

Largely due to higher productivity because of its employee ownership and involvement, T-R survived a brutal shakeout in its industry, as 40 mills dwindled to four.

The constitution and governance structures are designed to foster long-term sustainable employee ownership. So, for example, the charitable trust is specifically released from any need to diversify investments; the main block of shares in the EBT never has to be sold again, which allows them to keep the share market liquid. If it ever is sold then the trustees have to give the proceeds to charity, not distribute them to the employees, which greatly reduces the attraction of selling. The elected council has the right of veto over major strategic decisions, including any acquisition or investment equal to more than 10% of assets.

And above all there is a culture of informing, consulting and involving employees—who in the end are the ones who re-elect the directors every three years. Or don’t. The philosophy is that each person is not an employee but a partner, sharing in the information, influence, profit and capital of the company. Being treated as a partner can release commitment and creativit and great happiness. So the business performs better.

Overall Impression

The Cameron government in the UK has proposed converting many public services to private ownership, mostly through the formation of cooperatives. This renewed government interest in creating cooperatives might move the model into the mainstream of business instead of its being viewed as an alternate “movement” outside ordinary business practice. They might even become the dominant force in the UK economy.

Co-operatives UK favors a multi-stakeholder model (combination consumer, producer, and/or employee) for the conversions. Some advise that cooperative leaders should seize the opportunity even if the resulting enterprises are not purely worker-owned cooperatives. After all, most of the companies described here, with various ownership structures and practices, have prospered, benefited their employee owners, and accomplished good things for society, too.

For U.S. co-ops and ESOPs, the idea of the golden share might be a way to sustain them for their employee owners and the communities where they are located.
G
American theme. There is nothing like came here under difficult circumstances, believe in pragmatic values. We all came the employee ownership movement, and companies and those of you supporting to say it once and then we're going to declare victory—Fa-

they would later deploy in World War II.

government and opposed a dictator. You got crushed. Then, in that country. You opted to defend the existing legitimate the Spanish Civil War, which left over a million people dead the wrong side of everything. You're on the wrong side of anything metal, anything that comes out of the ground, any-

The same answer: “No.” So, he created his own bank. It’s formed a little co-op that made kerosene showed up and he looked around and he

Don’t get me wrong. There is a saying in Mondragon—

”This is not paradise and we are not angels.” However, our

people unemployed. In Mondragon, everybody voted about

It’s their money. There are no frills. There’s no perks. There’s you want to talk about hard-nosed, metrics-based capitalism,

this model—it’s called the sovereignty of the starting gate. The second—and I’m going to take the sec-

You have to make sure you have cost pass-throughs built be ready for a recession, you must have cash. Cash is king.

And we embraced global markets, some of which are not

plains. We have no corporate offices. We have 11 campuses spread among the seven countries where we have plants in 28 countries, and it’s 75 production

This is not predator and we are not angel.” However, we

It’s one worker, one vote.

The 11th principal is: Keep the profits inside the company. Any profits are to be used to support the

people who talk the talk and those who walk the talk. Number one is believe they are universally applicable and they separate those

“Economic patriotism, to me, is not sending jobs over-

SAIC. I was in SAIC from 1988 to 1994. The company was el and something that I participated in—a company called

We need to reach for the two great things that the Mon-

Challenges of Building a Global Presence

In the late 1990s, Martin was an executive at the Will-Burt Company during the 2001 recession, Debra Malta, our Senior Vice

When we hire, we're inviting people into our Will-Burt

Today, we’re in a fiscal deficit phase where U.S. cities and

In 1998, we went through a little bit of a downturn. We added one new line of business. We added one product, where we didn’t

half of our 400 employee owners. At that time, we decid-

explosive devices. The army of Israel is a major customer of

Some things we hadn’t quite realized: We water to Seattle. In Seattle, it was put onto a train and

Anchorage, where it was moved to a barge and taken down

In Fairbanks, Alaska. Some things we hadn’t quite realized:

We have to think about what we can do when we have

How many of you have seen the movie

trains, planes and...
The 25th Annual Ohio Employee Ownership Conference
Working Together, Saving Jobs

Every year, the Ohio Employee Ownership Conference offers an abundance of opportunities for education, exchange of ideas, and networking. The day is a full one - 19 panels on everything under the employee ownership sun, three sets of keynote speakers who share their experiences (their good and bad) about creating a more vibrant economy in Ohio, the country and the world, the Annual Ohio Employee Ownership Awards that honor innovation, hard work, and perseverance. The conversations that take place are both practical and forward-thinking: no question is too simple nor too unanswerable. You can see some of these exchanges in the pictures on the right (more pictures can be found on our website, www.oeockent.org).

The OEOC would like to thank the numerous employee-owners, service providers, public sector specialists, educators and non-profit professionals that generously share their time, expertise, and knowledge, and truly make the conference an exciting and essential event.

We hope to see you next year!

Tom Odom, Allard H. Stone, John Donley, Julie Dooley, CFA, Engineering Services, 2011 Board Chair and Conference Chair, and Michelle Stone, CFA, Engineering Services, 2011 Board Chair and Conference Chair, working together.

The Ohio Employee Ownership Conference is a great opportunity to learn about the benefits of employee ownership and to network with like-minded individuals. The conference offers a variety of panels and keynote speakers, providing a comprehensive overview of the Employee Ownership Movement. Attendees have the chance to hear from experts in the field, share their experiences, and gain valuable insights into the challenges and opportunities of employee ownership. Whether you are a seasoned professional or just starting to explore the possibilities of Employee Ownership, the conference offers something for everyone.

Highlights from the conference include:
- A keynote address by a prominent figure in the Employee Ownership Movement, discussing the latest trends and developments in the field.
- Panels on a wide range of topics, including Employee Ownership Basics, Co-ops, ESOPs, and more.
- Opportunities to network with attendees from across the country, making valuable connections and exploring potential collaborations.
- Awards ceremony recognizing the achievements of Employee Owners, celebrating innovation, hard work, and perseverance.

The OEOC encourages everyone to attend the conference and participate in the exchange of ideas, networking, and knowledge sharing. The conference is an excellent opportunity to gain new insights and connections that can benefit your organization or community.

Contact Us:
Ohio Employee Ownership Center
109 W. Broad St.
Columbus, OH 43215
Phone: 614-469-1263
Email: info@oeockent.org
Website: www.oeockent.org

The conference provides a platform for attendees to connect with experts, learn about best practices, and discuss the latest developments in Employee Ownership. Whether you are an employer looking to implement Employee Ownership, an employee interested in learning more about the benefits, or a service provider offering assistance, the conference offers valuable information and networking opportunities.

Attendees can expect to leave the conference with a comprehensive understanding of the Employee Ownership Movement, new connections, and inspiration for implementing best practices in their organizations. The conference is an essential event for anyone interested in Employee Ownership and the benefits it offers.

Stay updated on the latest news and events by following us on Facebook, Twitter, and LinkedIn, or visit our website at www.oeockent.org. Together, we can make a difference in creating a more vibrant economy and saving jobs through Employee Ownership.

Don't miss out on this year's conference! Register now and join us for a day of learning, networking, and empowering each other to work together, saving jobs.

For more information or to register, visit www.oeockent.org.
**Into That Abyss Comes A Village Priest...**

Michael A. Fels, U.S. Representative of the Worcester Cooperatives
130 Gateship Employment Conference, November 10th, April 29, 2011

**'A Place Where People Want to Work...'**

Jeff Forsee, President and CEO of the Will-Burt Company
2013 CATERPILLAR Sunheel NAVY, APRIL 29, 2011

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**Challenge of Building a Global Presence**

Challenges of building a global presence are not unique to the United States. In countries like Japan, China, and India, companies face similar obstacles in expanding their reach. For example, in Japan, companies often struggle with cultural differences and language barriers. In China, language proficiency and understanding local customs are crucial for success. In India, the challenge is to navigate a highly competitive market with a large and diverse population. Companies must also consider the costs of setting up operations in these countries, which can be significantly higher than in the United States. Additionally, political instability and changes in government policies can pose significant risks. To overcome these challenges, companies must developlocal knowledge, build strong relationships with local partners, and invest in local talent and technology. By doing so, they can successfully build a global presence and achieve sustained growth.
Good morning everybody. It’s an honor to be here with all the employee owners of your various companies and those of you supporting the employee ownership movement, and those of you wanting to take this to the next level. I personally think there is no more American, bipartisan, and straight down the middle of Main Street American value than employee ownership. I mean, we’re a country founded by immigrants. We’re a middle class country. We believe in pragmatic values. We all came here wanting to own land. Some of us came here under difficult circumstances, but the quest for ownership, from home ownership and now to workplace ownership, has been a constantly recurring American theme. There is nothing like workplace ownership.

I want to talk to you about a number of models that I’ve been involved in, that I’ve experienced personally, and that I think have relevance. What I’d like to do is come up with some templates that have worked historically for people, both in the United States and in Spain.

So, let me try to get you back to 1935. Imagine you’re in a mountainous region that has made things, historically. You’ve made the armor for Europe, the swords, the shields—anything metal, anything that comes out of the ground, anything that’s metal bending—you’ve made it. You’ve competed with the Germans to the north, the Italians to the south.

In the Winter 2011 of OAW, I detailed a situation where ABC Company, a 100% ESOP-owned company, valued at $10 per share, received an offer from XYZ Company to purchase 100% of ABC Company’s stock for $14 per share.

I suggested that an analysis simulating XYZ’s probable plans for layoffs would indicate to ABC’s ESOP trustee that ABC was worth $17.12 per share to XYZ, and that the ESOP trustees could safely reject the $14 per share offer. Probably a better statement would have been that the ESOP trustees did not have to automatically accept the $14 per share offer.

Two additional concepts are relevant.

First, the concept of synergy. The increase in price that XYZ is willing to pay is because of the synergy to XYZ of combining the two companies. If ABC sold its stock to XYZ for $10 per share, then 100% of the benefit of the synergy would belong to XYZ. If ABC sold its stock to XYZ for $17.12 per share, then XYZ would receive no benefits from the synergy as all benefits of the synergy would go to ABC. Clearly, that would be unacceptable to XYZ. The implication is that an appropriate price is somewhere between $10 and $17.12 per share and that the transaction price would be determined by negotiation.

Additionally, the $17.12 price assumes no cost to XYZ for implementation of the synergy. In reality, it would cost money to achieve the synergy, and the example does not include that additional cost. Further, synergy is not guaranteed. XYZ would be incurring risk that the synergy might not be successful. The model does not incorporate risk into the calculations.

Second, the concept of “ESOP participant standard of value.” As pointed out by Davin Gustafson of Apple Growth Partners, the $10 price is based on the willing buyer-willing seller fair market value of ABC Company’s ESOP stock. Assuming that ABC is an S Corporation, it would have significant financial advantages (e.g., exemption from income tax) by remaining a 100% ESOP S Corp. The $10 price does not include that advantage. Thus, ABC’s ESOP trustee should ask its valuation advisor to determine ABC’s stock price using an “ESOP participant standard of value” that would take into account the benefits accruing to ABC as an S Corp ESOP. The ESOP participant standard value for the stock may exceed the $14 offer price, thereby providing additional justification for the ESOP trustee to reject the offer.

Both additional concepts support the basic premise of my article: ABC’s ESOP trustee should not automatically accept an offer that is 40% above ABC’s ESOP stock value, but should do additional analysis as described in this and my original article. That analysis may support the rejection of that offer.
Benefit or Certified “B” Corporation: 
A Concept Relevant for ESOP Companies

Bill McIntyre

Benefit Corporations or certified “B” Corporations are a new type of purpose-driven corporation that creates benefit for all “stakeholders,” not just shareholders. Stakeholders can include employees, suppliers, customers, community, and the environment. In a Benefit Corporation, members of the board of directors have a fiduciary responsibility to take into account the interests of all the stakeholders when making decisions.

Traditionally, company boards and ESOP trustees of ESOP-owned companies, both C and S Corporations, are concerned with protecting only the interests of shareholders. Requiring boards and trustees to consider more than earning profits for shareholders was originally conceived in the late 1980s as a way for companies to resist hostile takeovers by identifying interests beyond merely making money.

In traditional ESOPs, the fiduciaries must act solely for the benefit of the ESOP participants and their beneficiaries as shareholders. This can cause problems when ESOP companies receive an offer for more than the current ESOP stock price that will involve substantial layoffs of employees if the offer is accepted. The fiduciaries (board members and ESOP trustees) cannot take into account the impact of the offer on ESOP participants as employees, even though the long term value of their jobs and the overall impact on their local community may far outweigh any short term payoff they might receive for their stock.

Because board members and trustees of Benefit Corporations can consider the interests of employees and communities, they have the freedom to take those interests into account before making a decision whether to accept or reject such an offer.

Being a Benefit Corporation does not replace an ESOP company’s status as a C or S Corp. Both C and S Corp ESOPs can choose to be Benefit Corporations.

A Benefit Corporation is a for-profit business with an additional purpose to create a public benefit, either a general public benefit or a specific one, such as preserving the environment, improving human health, or providing economic opportunity beyond just jobs (e.g., a retirement plan or a sense of ownership).

Becoming a Benefit Corporation requires changing the duties of the company’s fiduciaries by a supermajority vote of shareholders (typically, 2/3 approval). Benefit corporations were legally recognized in Maryland and Vermont law in 2010.

In all, 31 states have laws that allow corporations to identify other interests of the company. These are called “constituency” states. Ohio is a “constituency” state. In non-constituency states, becoming a B Corporation is more difficult as those states have ruled that the duty of the company’s board of directors is solely to the shareholders. The 19 non-constituency states are AL, AK, AZ, AR, CA, CO, DE, KS, MI, MT, NH, NC, OK, SC, TX, UT, VA, WA and WV.

A "Certified B" Corporation takes the concept of the Benefit Corporation a step further by requiring companies to reach a minimum score on an extensive questionnaire about their beneficial impact in several areas. Certified B corporations are not required to be Benefit corporations. A certified B corporation is not a creation of state statute but is a certification provided by B Lab, a nonprofit organization dedicated to using the power of business to solve social and environmental problems.

King Arthur Flour, a 100% ESOP-owned corporation in Norwich, Vermont, and Praxis Consulting Group, an ESOP service provider in Philadelphia, Pennsylvania, were two of the 82 Founding B Corporations. Steve Voigt, President and CEO of King Arthur and a past chair of The ESOP Association, stated at the time, "We’re glad to be one of the corporate leaders in this area and hope that our participation will inspire other companies to get on board." King Arthur displays the B Corp logo on its products, which are sold in all 50 states.

Companies in any of the constituency states can become certified B Corporations by satisfactorily completing B Lab’s questionnaire, amending their articles of incorporation and bylaws, and having those changes approved by a super-majority of the shareholders.

B Lab’s certification is designed to separate substance from hype regarding a company’s social responsibility.

Step 1 is completing B Lab’s 200-point Impact Assessment measuring the company’s impact in the following weighted areas: Accountability, 10 points; Employees, 50 points; Consumers, 30 points; Community, 40 points; Environment, 50 points; Beneficial Business Model, 20 points. A score of at least 80 points is required for certification.

Step 2 is a review of the Impact Assessment with a B Lab staff person to check accuracy and discuss any special circumstances. Certified B corporations are asked to provide documentation for a randomly selected 10% of Impact Assessment answers, and they receive a random onsite review on average once every five years.

In Step 3, the company revises its corporate documents—articles of incorporation, bylaws and others as necessary—to implement B corporation provisions on public benefit purposes and service to multiple constituencies.

Step 4 is certification and payment of the certification fee.

Michael Shay, a Principal at Praxis Consulting Group, stated that the firm’s reason for becoming a certified B corporation was to test the organization on an objective scale; to be part of something larger; and to provide a favorable differentiator for potential clients, new staff and the employee ownership community.

In addition to providing clarity for boards of directors and ESOP trustees, certified B Corporation status can provide advantages for ESOP companies in achieving their mission, which might include a concern for competitiveness, social impact, community impact, environmental impact, business community leadership, pride, ESOP and company sustainability, and ultimately, employee and participant wealth creation.

There are 420 certified B corporations as of this printing. Legal recognition of Certified B Corporations is in its infancy. Philadelphia has granted tax advantages to certified B corporations.

For more information on certified B corporations, go to the B Lab website at www.bcorporation.net.
Mosser Group Volunteers Build a Playground

Employee owners of Mosser Group in Fremont, donate their construction know-how, time and energy to a project within their community each year. In 2010 they built a new playground for families in the City of Fremont at the Briggs-Kettner Memorial East Side Park. The playground equipment was donated by the Heinz Company. Mosser’s volunteers included Jorge Baez, Lynn Cassabon, Jamie Gottron, Nickee Linder, Royce Kohman, Al Mehlow, AJ Mehlow, Rhonda Montgomery, George Moore, Mark Prenzlin, Craig Schalk, Mike Tornow and Matt Wolfe.

Evergreen Cooperative Laundry Celebrates Learning

Ten members of the Evergreen Cooperative Laundry completed the six-part series of classes on the Basics of Building a Cooperative Culture, facilitated by a team from the Ohio Employee Ownership Center. The classes provided a setting for members to share their experiences and ideas about working together to build a worker-owned cooperative, to reflect on their workplace learning, and to explore their team challenges. Topics for the interactive sessions included: what it means to be a worker owner; team building; decision-making; problem-solving; business literacy, and how ECL’s values drive success.

ECL is a LEED-certified commercial laundry facility which provides linen management support for institutional and commercial customers including hospitals, nursing care facilities, hotels, senior communities and conference centers. The business is 100% employee-owned through a worker cooperative launched in 2009.

First Annual Earth Day Cleanup and Recycling at PRC

For Earth Day, each PRC employee was assigned to clean and organize their individual work area and various storage and shared areas at their company. Their efforts generated boxes of books, videos, magazines, old equipment and library supplies, which were donated to their local community library and hundreds of pounds of paper, metal and other materials that were recycled. Now they are all enjoying a cleaner, healthier, and better organized work area for all employee owners.

PRC employee-owners also presented generous donations to several area non-profit organizations. Over the past few years, PRC’s Information Technologies department has offered used computer equipment for sale to employees and the proceeds from those sales went to a different charity each year. This year the employee-owners were asked to vote on their favorite local charity and the sale proceeds ($3700) were then divided among the top five charities. Representatives from these organizations were invited to PRC for a brief reception where the donations were awarded.

PRC was founded in 1966, and the ESOP was established in 2003 with the beginning of a gradual purchase of stock from a group of owners including primary owner Barry Romich. The goal to eventually become 100% employee owned was reached in 2008. Employee ownership demonstrates their dedication to innovative, quality communication technology products and customer-driven service standards. In 2011 PRC employee owners are celebrating 45 years of innovation and integrity—values that have been their mainstay for 45 years.

In Memoriam

Harold Gutknecht, founder of Gutknecht Construction Company in Columbus, passed away in 2010. He founded Gutknecht Construction in 1974 and in subsequent years his firm built many schools, churches, libraries and universities in Central Ohio. He established an ESOP in 1996 as an owner exit planning strategy; today the firm is 100% employee-owned.

He served on the board of Dave Fox Remodeling, another Columbus area ESOP company, and was a leader and supporter of local business and community service organizations. Gutknecht’s 33 employee owners continue to uphold the firm’s reputation for high quality construction and offer general contracting and construction management for new commercial construction and renovation work.

OAW

Owners At Work Summer 2011
Health care is a major cost to businesses and employees. Costs are escalating and benefits are shrinking. How do employee-owned businesses, in which everyone has a stake in generating shared profits, deal with the escalating costs of health care? This was the topic at two recent leadership forums sponsored by Ohio’s Employee-Owned Network.

Health care is one of the most important economic factors we deal with as a country, explained David Whaley, an attorney with Dinsmore & Shohl whose legal practice includes a specialization in health care benefits. He cited a study from 1999-2009 by the Kaiser Family Foundation, the nation’s largest think tank on health care, which showed that health insurance premiums increased by 131%, and workers’ contributions toward these premiums increased by 128%; while for the same period, overall inflation increased by only 31% and workers’ wages, by 42%.

Whaley emphasized that the most important cost factors in health care plans are the frequency of medical visits and the cost of medical visits. Companies can manage their costs in one of three ways. First, they can lower their costs of medical coverage by increasing co-pays and deductibles. Second, they can pass greater costs through to employees and their families by increasing the portion of the premium that is paid by employees. Finally, they can involve employees in looking at ways to manage and reduce health care costs. This final means of controlling costs is generally referred to as consumer-driven health care.

Health Insurance Education and Decision-Making

Janotta & Herner’s Health Insurance Review Committee has eight members from across all employee groups and includes two officers, one executive manager, two project managers, one engineer, and two field operators. As CFO Kathy Nickoli explained, “Our goal is to teach ourselves about all aspects of health insurance planning and benefits and to get more buy-in from everyone on our health care plan decisions and commitment to wellness.”

The committee meets once a month over several months to discuss a series of topics, including benefit plan options; the buying and negotiating process; wellness; and options for cost reduction. One meeting, held jointly with the wellness committee, explores why a wellness plan makes a difference. Another focuses on their renewal negotiation.

As Nickoli noted, “Through our committee process we are asking ourselves better questions, doing more benchmarking, and have made improvements in the renewal process to better meet our needs. We also decreased our renewal costs.”

Smith & Schaefer has started employee involvement teams in marketing, technology, website, health care, and communication since establishing their ESOP in 2004. But as CFO Gary Wagner explained, “the Health Insurance Committee formed three years ago is our most successful committee.”

“We ask for volunteers each year,” explained Wagner. “The cost and complexity of health insurance drives people’s interest in volunteering. We had four volunteers in the first year and nine volunteers this year. We include representatives of each insurance class.”

The committee’s work involves four meetings and lots of research in between. At the first meeting, which includes their agent, they review changes in the industry, their company’s demographics and claims history and decide whether to seek competitive quotes or look at alternative plans for renewal. At the second meeting, the committee reviews the plans which have been researched and considers options for cost minimization. At the third meeting, proposals are presented and members discuss the pros and cons of a variety of issues such as spousal carve-outs or increasing employee contributions. At the fourth and final meeting, decisions are made. Each committee member is asked: what do you recommend and why? “We reach agreement, though for different reasons,” noted Wagner. “We have never been strongly divided.”

Wellness Initiatives to Control Health Risks

What is wellness? David Whaley explained at both forums that wellness is any effort designed to promote health or to prevent disease. Wellness initiatives can include health risk appraisals, immunizations, in-house diet and nutrition initiatives, wellness education, fitness programs, and disease prevention or related activities.

Wellness practices, which are designed to control risks and thereby lower costs, often qualify companies to receive

Karen Thomas
discounts from insurers. Wellness practices can also reduce the costs associated with illness and absenteeism.

What is the ROI for wellness? Whaley cited a Harvard Study of the economic benefits of wellness programs, which showed, on average, that a company’s investment of $1 on a wellness program was associated with a $3.27 reduction in medical costs and a $2.73 reduction in absenteeism costs.

Leadership By Example

“Your costs are going up unless you do something about it,” explained Doug Bosnik, CEO of Buckeye Corrugated. “With health care, it’s personal. Costs can only be controlled by individual behavior. So getting buy-in from employees is the most important goal of our health care program, and our approach has two parts: leadership and engagement.”

“Our health care program is driven by our company’s leaders and it starts at the top,” continued Bosnik. “I call it the Potato Chip Campaign. Three years ago my triglycerides were high and this situation was traced back to potato chips. So when I talk about our health care program, I talk with employees about how I changed my involvement with potato chips, and how my triglycerides then went down.”

Bosnik outlined the three guiding principles for employee buy-in for their health care program:

“Simplify: Complexity creates inefficiency, and inefficiency increases cost. So we changed the structure of the health care plan to make it simpler, using co-pays and no deductibles. Then we provide lots of education and offer incentives.

“Ownership: Our approach to health care is aligned with the ownership principles we share as an ESOP. Individuals own their health and health care. It is our individual responsibility.

“Investment: We create the value of our business and we look at our health care program as an investment. As with any investment we expect a rate of return. Our plan incentivizes each participant to take action on their own.”

Buckeye Corrugated’s approach has saved lives. At their first annual health fair, an ambulance was called for one participant with an extremely high blood pressure reading. Those with high PSA have been alerted to check for early stage cancer.

Their approach has also boosted profits. Cost savings are reported by line item at their Monthly Plant Profitability Meetings. Increases in healthcare savings are compared with increases in profits, which go toward company-wide cash bonuses and the ESOP stock value.

Columbia Chemical Wins First Place in Wellness

Every one of the 40 employee-owners of Columbia Chemical Corporation in Brunswick serves on at least one committee with its own mission statement, yearly goals and budget. As President Brett Larick explained, “the mission of our Health and Wellness Committee is to support each employee’s individual efforts toward health and wellness by sponsoring company-wide education, health and fitness initiatives.”

The committee brainstormed ideas and developed these initiatives to support its mission:

- Health and fitness: company reimbursement for gym membership; flex-time policy to accommodate employees’ fitness activities; annual walkathon challenge; weight loss challenge; and a flu shot clinic.
- Education: send a weekly health tip to all employees; provide speakers on health topics at lunch ’n’ learns; and participate in the Cleveland Wellness@Work program.
- Employees have gotten involved in these initiatives. Many have lost weight. Five employees have completed 10K runs, and a few are running marathons.

Columbia Chemical has also been recognized as one of the top companies working to improve employee health in the workplace in Northern Ohio. Among small businesses with 1-100 employees, they won 1st place in the Cleveland Wellness@Work program, which is organized by COSE.

“It’s a great honor for our committee and also the company,” commented Adam Anderson, Health & Wellness Chairperson. “This recognition demonstrates how successful we have been working to make our company the best it can become.”

Consumer-Driven Healthcare - More than Health Savings Accounts and High-Deductible Health Plans

In employee owned companies, the ownership culture drives behavior. People share the belief, hope, and desire that they can and will make a difference and impact the bottom line. So a next step for many ESOPs is the adoption of consumer-driven health care plans, which are structured around individual employee-owner accountability.

What’s the difference between consumer-driven health care plans and traditional healthcare plans? As Whaley explained, “with a consumer-driven plan, the consumer is the primary decision maker. Participants in a consumer-driven plan are twice as likely to ask about the cost, three times more likely to choose the less expensive option, and 20% more likely to ask on their own.”

“Consumer driven health plans have been marketed to employers since 2006 as High-Deductible Health Plans coupled with Health Savings Accounts or Health Reimbursement Arrangements,” Whaley explained further. “Buckeye Corrugated’s example, however, demonstrates that zero-dollar deductible plans also involve the principles of self-involvement to lower overall healthcare costs. Its employees receive reduced premiums for participating in company-wide health fairs, which encourages preventive care.”

In addition, noted Whaley, the open-book philosophy of an employee-ownership culture supports employee actions in lowering medical costs. This lowering of medical costs is directly reflected in the profits of the company, increasing interim bonuses and annual share values. Combining a culture of employee ownership with employee participation in containing health care costs can create a win-win for employees — healthier, happier employees and more bountiful retirement benefits.

Mark your Calendars for the 26th Annual Ohio Employee Ownership Conference
Friday April 20th, 2012 - Akron OH
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To learn more, visit www.CroweESOPAdvantage.com, or contact Lori Stuart at 614.280.5229 or lori.stuart@crowehorwath.com.

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CHICAGO • NEW YORK • MILWAUKEE
Ohio’s Employee-Owned Network
Fall 2011 Events

For more information, call the OEOC at 330-672-3028
or email kthomas@kent.edu

Dates and locations TBA
Watch Your mailbox!

CEO and CFO Networking Dinner

Governance/Board of Directors/ESOP
Trustees Forum

ESOP Administration and Fiduciary Forums

“Employee Ownership Basics” Certificate programs - Toledo, Cleveland, Columbus area and Cincinnati

- ABCs of ESOPs

- ESOP Communications: Building a Community of Owners

- How Do I Affect the Bottom Line?: Basics of Business Literacy

Check out the OEOC’s website

www.oeockent.org

Let us know what you think!

Other Events of Interest

August 3-5, 2011 - Honolulu, HI
August 11-13, 2011 - Chicago, IL
The Employee Ownership Foundation - Employee Owner Retreats - conducted by OEOC staff
 call 330-672-3028 for details

October 4-7, 2011
National Cooperative Business Association - Annual Meeting and Cooperative Conference
Minneapolis, MN
Call 202-638-6222 for details

November 3-4, 2011
ESOP Association Technical Conference & Trade Show
Las Vegas, NV
Call 202-293-2971 for details