EMPLOYEES BRING PLABELL OUT OF BANKRUPTCY

What would you do if you found that your company had filed for bankruptcy? For many people, it would mean waiting for a lay-off notice, reassessing career options, and wondering what happens next. For the workers at Plabell Rubber Products, in Toledo, Ohio, this situation was not merely hypothetical. When faced with the grim prospect of losing their jobs as a result of their company's filing for bankruptcy, the employees of Plabell Rubber decided to take their future into their own hands by attempting to buy out the company via an Employee Stock Ownership Plan, or ESOP.

The story began in November 1991, when Plabell filed bankruptcy under Chapter 11. As a manufacturer of rubber parts for the refrigeration and automotive industries, the company had fallen on hard times in the late 1980s due to a combination of factors. The company had some of the classic warning signs of imminent closure, including the lack of cash reinvestment into the company, the decision not to replace old equipment, and perhaps the most unsettling sign of financial problems for an employee, bounced payroll checks. "We could see it [the bankruptcy] coming," said Randy Reif, an employee at Plabell.

Although the employees had been powerless to change the situation at Plabell in the past, when they became aware of the bankruptcy, they saw an opportunity to control their future by becoming owners. According to Larry Friedeman, the present CEO of the Plabell Rubber Products Corporation, "a number of employees indicated they would be interested in purchasing the assets of the company" if it were possible for them to do so. It proved possible -- with the backing of the employees' union, Teamsters Local 20 -- but it certainly was not easy.

Investigating the possibilities

Before any real push to purchase the company could begin, the primary concern was to keep the company operating. This concern was echoed not only by the employees, but by the major creditors and customers of Plabell. The bankruptcy judge took this into consideration and in December 1991, he allowed Plabell to continue operating, using a portion of its cash collateral to keep the doors open.

Operating under protection of the bankruptcy court proved to be challenging for Plabell, yet not without rewards. In order for the company to continue operating, it was necessary to submit to the court proposed operating budgets and sales projections. The company was obliged to remain within the limits set in the budgets, or it might have faced additional court action. This of course made operating the company much more challenging than before Chapter 11 was filed.

In addition to the budget constraints, the judge ordered that daily reports on the company's progress be presented to named interested parties (e.g., bankruptcy trustee, IRS). The reasoning for these strict guidelines stemmed from the fact that the company filed bankruptcy due to difficulties in maintaining cash flow. Although the restrictions placed on Plabell were rigid, they were not without value. According to Friedeman, there was good that came out of these restrictions. "It teaches a discipline that is unparalleled in business management, especially in regard to budgeting and business forecasting. [It also] promotes long-term viability, especially for an employee-owned company."

Although the initial motion to purchase the firm was denied, the employees did not give up. They were dedicated to doing "whatever it took" for them to establish the ESOP.

Operations at Plabell continued, while the company requested an emergency grant from the Rapid Response Unit of the Ohio Bureau of Employment Services (OBES). The grant was intended to fund a pre-feasibility study of an employee buyout of Plabell. A pre-feasibility study is a sort of "test balloon." It is used to determine whether or not it would be reasonable for the employees to invest in a more detailed study. The more detailed feasibility study is used to formulate a long-term business plan for the new employee-owned company. A pre-feasibility study usually focuses on a few key areas of concern. It was at this time that the NOEOC was contacted to help the employees identify those key areas.

In January 1992, Dan Bell of the NOEOC gave a presentation to Plabell's employees to explain the mechanics of an ESOP, the steps involved in a buyout, and most importantly, the six key questions that a potential buyer must address when making the decision about whether or not to go forward on a buyout. There were three major issues that Plabell needed to address before performing a pre-feasibility study: (1) Was there enough time to complete the buyout? (2) Were the employees truly interested in buying the firm? and (3) Would the new company have competent management?

Continued on page six
DOES O + P + T + I = Pf?

Equations are commonly used by writers to mystify readers. It is a little known, but scientifically proven fact that a mere handful of well chosen (i.e., unsuitably complex) equations can reduce the brain of the average informed and interested reader to the consistency of melted ice cream in three minutes or less. Introduce enough square roots, summation signs, logs, subscripts and superscripts into the equation and one can discourage even strongly interested readers.

Some equations, however, actually make sense. The title to this article, for instance, translates into English as

Ownership + Participation + Training + Information
= Performance

Readers of Owners at Work will recognize this equation as the "secret" formula for success at several Ohio employee-owned companies profiled in these pages over the last five years. It makes intuitive sense. When employees are owners, have channels to participate in improving the company on a daily basis, have had the training to use these participation structures appropriately, and are informed about the business, they act like owners.

But is this only a good-sounding theory and an after the fact explanation for the success of several prominent Ohio employee-owned firms? Or does this equation really stand up when applied to all ESOP companies? Do employee participation, training, and sharing information really make a difference? We tested that hypothesis with data from the 1992-93 Ohio survey described in the last issue of Owners at Work. Here are the results.

Have Ohio ESOPs increased participation?

As most readers of this newsletter know, Federal ESOP law requires only minimal voting and information rights be provided to ESOP shareholders in closely held companies, less than for other shareholders. There are no requirements whatsoever for training or employee involvement.

Roughly half the ESOP firms responding to our survey can be described as having significant levels of employee participation. Forty-five percent of closely held Ohio ESOP companies go beyond Federal minimum requirements to provide full voting rights to ESOP participants, up from 14 percent in our 1985-86 Ohio study.

Seventeen percent of them -- or one in six -- have non-managerial employees on the Board of Directors; that can be contrasted with 4 percent -- one in twenty-five -- in the General Accounting Office's national study in 1986. In Ohio currently, three-quarters of the non-managerial directors are elected; in the earlier GAO study, three-quarters were appointed by management. Moreover, more than half of the firms have implemented one or more programs for direct employee participation on the shop floor. About one in three of these various shop-floor participation groups reported to joint labor-management steering committees.

Employee interest in participating is up too. Both our 1985-86 and 1992-93 surveys asked "Since the establishment of your ESOP, have employees expressed an interest

| Table 1. Percentage of Ohio ESOP firms where non-managerial employees participate on teams |
|-----------------|-----------------|-----------------|
| Before ESOP established | Since ESOP established |
| Quality circles | 13% | 30% |
| Quality of work life programs | 5% | 9% |
| Problem-solving groups | 26% | 51% |
| Labor-management teams | 16% | 31% |
| Self-managing work groups | 14% | 26% |
| Total quality management | 14% | 40% |

THE NORTHEAST OHIO EMPLOYEE OWNERSHIP CENTER

Department of Political Science, Kent State University, Kent, OH 44242
TELEPHONE (216) 672-3028 FAX (216) 672-4063

Student assistant: Tammy Pacewicz.

The Northeast Ohio Employee Ownership Center is a university-based outreach program which offers information and technical assistance to retiring owners, buyout committees, labor unions, managers, and community-development organizations interested in exploring employee ownership. Funded by grants from the Ohio Department of Development's Office of Labor/Management Cooperation and the John D. and Catherine T. MacArthur Foundation and contributions from both Kent State University and the companies that comprise Ohio's Employee-Owned Network, the Center offers timely information and ongoing technical assistance in situations where there is a threat of job loss. Staff can help locate competent legal and financial advice, and will perform pre-feasibility assessments to determine whether employee ownership is a viable option.

The NOEOC also develops resource materials on employee ownership and participation systems, sponsors workshops and conferences for the general public, develops training programs for employee owners, facilitates cooperation among employee-owned firms throughout Ohio, and assists international efforts to privatize businesses through employee ownership.

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in playing a greater role in decision making?" Twenty-eight percent of Ohio ESOP firms said "yes" in the 1985-86 study; 60 percent said "yes" in the current study. One of the most striking results of the survey is the degree to which Ohio ESOP firms have committed themselves to participation by, training of, and information for non-managerial employees. While none of these is universal, all have come to characterize a significant minority of Ohio ESOP firms.

| Table 2. Percentage of Ohio ESOP firms providing training for non-managerial employees |
|---------------------------------|---------------------------------|---------------------------------|
|                                 | Before ESOP established | Since ESOP established |
| Job-related training            | 82%                    | 86%                      |
| Apprenticeship programs         | 33%                    | 34%                      |
| Ownership education             | 8%                     | 38%                      |
| Problem-solving training         | 31%                    | 54%                      |
| Group process training          | 31%                    | 45%                      |
| Financial training              | 20%                    | 40%                      |

It has long been a national scandal that American firms generally spend so much less on training and education for employees than their competitors do in Japan, Germany, Sweden, and other advanced industrial countries. Moreover, most of what corporate America does spend goes for management training. The American Society for Training and Development's figures suggest that fully two-thirds of corporate training monies go into training for those who already have college degrees. Employee ownership is changing that situation in Ohio companies. While traditional job-related training is up only marginally, rates of training for non-managerial employees related to ownership -- ownership rights, how the business works -- and company finances have quadrupled and doubled respectively.

As Table 2 indicates, training non-managerial employees in problem-solving and group-process techniques -- which help make employee participation programs work successfully -- is up sharply as well.

Along with increased training, the survey's results show that employee ownership is associated with much freer flows of information. Seventy percent of respondents publish a regular newsletter, up from 47 percent before the ESOP. Seventy-one percent hold annual employee meetings and 62 percent hold monthly or quarterly meetings to review business matters, up from about 40 percent prior to the ESOP. Almost half of the firms responding to the survey provide employees with the company's financial statements; of the 53 percent which do not automatically provide financial information to employees, roughly three-fifths permit employee access to financial data on request.

**But does this impact performance?**

So a majority of Ohio ESOP firms are doing at least a few things in employee participation, training, and information. Some are doing a great deal. Does this have any impact on the company?

In the survey we asked managers whether they believed that their ESOP had had any impact on fifteen issues varying from absenteeism to working conditions. Depending on the individual issue, between one-quarter and three-quarters thought the ESOP had a positive impact; 2 to 6 percent thought the ESOP had a negative impact. We constructed two scales of ESOP impact from these questions.

The first was a scale of ESOP impact on quantitatively

![Figure 1](Does%20Employee%20Participation%20Increase%20the%20Impact%20of%20the%20ESOP%20on%20Corporate%20Performance%3F.png)
measurable items that have a direct impact on company performance. These items are absenteeism, employee job performance, product quality, employee turnover, productivity, customer service, profitability and production costs. Two-thirds of the managers responding thought that the ESOP had had a positive impact on company performance, and 40 percent thought that it had been substantially positive.

We built scales of employee participation, training, and information as well. All three of these are positively related to this performance index. Look, for example, at the relationship between employee participation and impact of the ESOP on company performance in Figure 1.

In those firms scoring high on the employee participation measures in the survey, managers of fully 60 percent of companies believed that the ESOP had had a strong positive impact on firm performance on quantitative variables; 13 percent believed that it had had no impact or a negative impact. By contrast, in firms scoring low on employee participation, only 27 percent of managers believed that the ESOP had had a strong positive impact; and 49 percent believed it had had no impact or a negative impact.

Essentially the same pattern exists in the relation between training non-managerial employees and the perceived impact of the ESOP on firm performance, although at a somewhat lower level. Similarly, we find the same relationship between the information scale and the ESOP with their managers' appraisals. Still, the relation between the perceived impact of the ESOP on employee attitudes and participation, training, and information provides another measure which can be used to evaluate the ESOP's effect at Ohio firms.

Ohio ESOP company managers perceive participation, training, and open flows of information to have a positive impact on employee attitudes. In general, the relationship paralleled that of the ESOP's impact on company performance, though at a somewhat higher level. For example, fully two-thirds of managers in the most participatory firms found that the ESOP had a highly positive impact on employee attitudes while more than half the managers of the least participatory firms believed that the ESOP had no impact or, in some cases, a negative impact on employee attitudes. Similarly training and information seem to have a slightly more positive impact on employee attitudes -- at least in managers' perceptions -- than they do on company performance.

Participation and training are important, but do they impact a company's bottom line? We asked respondents how their companies' profitability compared to that of their competitors before and after the ESOP was put in place. ESOP firms tended to be more profitable than their industries both before the ESOP was put in place (39 percent) and after (41 percent); only 13 percent were less profitable than the industry before the ESOP and 14 percent after. Of course
ESOPs make tax sense for companies only when they are in the black.

When we look at the change in profitability relative to industry, 15 percent of the firms did worse after the ESOP and 22 percent did better. What is fascinating here is that the change in performance is directly and positively related to participation, training, and information. Figure 2, for example, charts change in company profitability relative to its industry against participation by non-managerial employees. In companies with high employee participation, 38 percent saw their profits rise relative to the industry while 12 percent saw them fall. By contrast, in companies with low employee participation, 21 percent saw profits rise and 26 percent saw profits fall since the ESOP was established.

Managers’ perception of ESOP impact both on company performance and on employee attitudes were also positively related with improved bottom-line results relative to industry.

### About the study...

| The major problem with surveys like this is the response rate. Our response rate was good: of Ohio’s approximately 275 ESOP firms, 167 -- or 61 percent -- provided usable data in response to the questionnaire. A follow-up telephone survey of non-responding firms elicited some baseline data from forty additional firms. These non-respondents resembled respondents on key quantifiable variables like size of firm, date of establishment of ESOP, and proportion of stock owned by the ESOP. Our guess is that there are some qualitative differences between firms which responded and those which did not in regard to attitudes toward their ESOPs. We suspect that firms which did not respond were probably less positive than the firms which did. They were also probably less likely to undertake participation and training programs. So the picture of ESOP companies painted above is probably more positive than we would get with a 100 percent response. |

### Evaluating the results

Surveys are always tricky to evaluate (see box), but some conclusions seem to be clear.

- First, about two-thirds of responding companies believe that the ESOP has a positive impact on employee attitudes and on company performance.
- Second, these companies are much more likely to be those which have high rates of non-managerial employee participation, training, and information; those which do not involve their non-managerial employees in general see little or no positive impact from their ESOPs.
- Third, while many factors affect profits other than employee attitudes and the firm’s internal performance, the survey found a positive relationship between employee participation, training and information and the change in company profitability relative to industry before and after the ESOP was established.
- Fourth, employee participation, training, and information are certainly not magic bullets. One-eighth to one-fourth of the firms scoring high on scales of employee participation, training and information found that the ESOP had no impact on firm performance or attitudes. Still that contrasts favorably with firms that ranked low on these scales, where roughly half to three-fifths found the ESOP to have no impact whatsoever.

The bottom line is that when other things are equal, participation, training, and open flows of information have a positive impact on employee attitudes, on company performance, and on profitability. On the other hand, employee-owned companies in this study without these features see few positive results from their ESOPs. What is also clear from the survey is that ESOPs in Ohio are becoming more than just another benefit plan for employees and another tax break for companies. Combined with participation, training, and information for non-managerial employees, employee ownership is becoming a powerful tool for improving company performance and for increasing shareholder wealth.

### Order the Entire Survey from the NOEOC Today!

Data crunchers unite! For only $9.95, you can get your very own copy of the preliminary survey. It includes a massive appendix that provides frequency distributions, answering virtually every question about Ohio ESOPs that you never thought to ask. Amaze your friends with your new knowledge of ESOP trivia such as the number of Ohio ESOPs for which workers gave up wage concessions (fewer than you would guess), the percentage of plans established in 1986 (more than you would guess), and much, much more. Order now, before the Ohio ESOP version of Trivial Pursuit appears. To order, contact Judy Wearden at the NOEOC, tel. (216) 672-3028; fax (216) 672-4063. A final report will appear in 1994.

WINTER 93 -5- OWNERS AT WORK
Plabell, continued from page one

Employees were also concerned that the company could be liquidated or sold off by the court before they could put together a purchase offer. After being made aware of these issues, the employees decided to continue pursuing the buyout. A steering committee, that consisted of both salaried and hourly employees, was formed to prepare a buyout package that would be presented to the bankruptcy judge.

Making the deal happen

Employee buyouts of bankrupt firms never happen without a lot of professional assistance. Initial advice for the buyout effort came from Jeff Julius, attorney for Local 20. "The leadership of IBT, Local 20 is very progressive. Current President, Les Singer, as well as former President, Harold Leu, have recognized that real employee empowerment comes through decisions about controlling capital, and have seen employee ownership as a means to that empowerment. In this situation, the ESOP meant the retention of 52 good-paying manufacturing jobs in Toledo. In the future, the employees will decide if and when those jobs will leave the area," Julius stated. "This type of local control is what employee ownership is all about."

As Julius represented the employees as creditors to the bankrupt firm, the employee buyout group retained Toledo attorney Eric Britton to assist the steering committee in deciding how much to pay for the company’s assets, and to aid them in making their bid to the bankruptcy judge. As counsel for the employees, Britton helped to convince the judge to accept the employees’ offer.

Joe Nachtrab, a Toledo accountant originally hired to do the pre-feasibility study, stayed on to assist the lead financial person on the steering committee in putting a financial package together and arranging financing for the buyout group. It was fascinating, Nachtrab reflected subsequently, "to be involved in arranging 100 percent financing for a company that was in bankruptcy, without any personal liabilities for any person involved in the buyout." He was very impressed by the level of cooperation among all levels of employees in the buyout effort. According to Nachtrab, the Plabell buyout was "truly a cooperative effort of a group of people who traditionally don’t work together."

The banks, the union, and the management all did what they could -- at times going above and beyond the call of duty -- to keep Plabell’s doors open.

A few days after the steering committee was formed, the employees were informed that the requested grant had been approved by OBES. The pre-feasibility study was conducted and the results were presented to the employees in March 1992. When the results indicated that an employee buyout was not unrealistic, the employees decided to conduct a full feasibility study.

In the meantime, a traditional point of conflict needed to be addressed. Plabell, like many other firms, found itself at a point where labor and management needed to find a way to work together, and let go of old conflicts. According to Friedeman, the relationship between labor and management was "less than amicable at times" under the previous owner. However, many of the employees were willing to put those conflicts aside temporarily, realizing that their livelihood was at stake.

The next step for Plabell employees was to find financing to buy the company. After some searching, the employees were able to secure funding from three sources: Fifth Third Bank, the Toledo Port Authority, and the City of Toledo. All three of these organizations expressed a commitment to assist the employees of Plabell financially.

Profile: Plabell Rubber

| Products: | Molded, extruded rubber mechanical component parts. |
| Sales range: | $3-5 million. |
| ESOP: | 100 percent employee owned. |

After securing financial backers, the buyout package was presented to the bankruptcy court in October 1992. The package was rejected by the judge for a variety of reasons; among them was the fact that there was an outside buyer who was interested in purchasing the company. Secondly, the unsecured creditors felt that there were no provisions made for them as a result of the sale. Lastly, the judge felt that there was an insufficient effort on the part of the debtor to look elsewhere for offers to buy the company.

Although the initial motion was denied, the employees at Plabell did not give up. They were dedicated to doing "whatever it took" for them to establish the ESOP. Again, because of the potential outside buyer, the employees knew that if their efforts failed their future might fall into unknown hands, or even those of a competitor. The steering committee revised its offer, which was presented again in March 1993. This time, the plan was approved by the judge, and the employees of Plabell Rubber found themselves closing the deal and becoming employee owners of the newly-formed Plabell Rubber Products Corporation on April 15, 1993.

Plabell: today and tomorrow

Where is Plabell today? Plabell’s ESOP is very young, having only been established in April. Like many other new ESOPs, Plabell is still hammering out the details of its particular plan. Right now, the company is in the process of making capital improvements that had not been done in the past, such as putting a new roof on the plant. More concern among the employees that changes are not occurring fast enough, but with the majority of the new employee
owners realize that it will take time for everyone to get accustomed to their new roles and responsibilities.

Employees at Plabell are now given more access to company information; much of their watchfulness stems from the past history of the company and the subsequent bankruptcy. They want to make sure that the company does not have to go through that again. One new avenue they have for influence is the new company’s Board of Directors, which is directly elected by the employees. Randy Reif, a member of Teamsters Local 20 and of the company’s Board of Directors says, "because there was money in the past that the employees were never made aware of, there are some people who don’t want to realize that there really isn’t a lot of money right now."

The Teamsters are also happy with the outcome. “We’re pleased with the employee buyout at Plabell,” said Les Singer, President of Local 20. “I would definitely encourage people to look at employee ownership to see if it’s a feasible option. If it’s the thing that works, then we’ve got to do it to save the jobs. Of course, you can’t just wave a magic wand and it’s done... fortunately, we had some good people involved in the buyout who hung together to get the job done."

The primary goal for Plabell in the coming months is making the necessary repairs to the plant to increase the viability of the company, as well as overcoming the lingering effects of the reorganization. Other goals include continuing the educational process regarding employee ownership. Friedeman would also like to see the ESOP structure used as “a means to provide incentives to maximize the rewards of ownership for the employees”; not only showing the financial benefits of an ESOP to the employees, but the emotional and psychological benefits as well.

In time, Plabell would like to expand ESOP education to more employees, including sending hourly employees to programs and involving more employees in general. According to Friedeman, "the company wishes it had the luxury of staff and time to do more in terms of education,” but it cannot afford to do so at this time. Although there is no formal educational structure at this point, there is a lot of informal learning taking place.

There are a couple of good things about becoming an ESOP, according to Reif. “Everybody’s still employed, and the future of the company should look better now than it did under the previous owner." The employees of the company have a lot more power in making major decisions. "If people aren’t satisfied with how the company is being operated, they can take the initiative to change it. They couldn’t do that before,” he stated.

Simply knowing that the employees have more power in the workplace also seems to be a motivator. “The employees now have a strong voice; they really want to make things happen, and they know that they now have the power to make things happen," Reif said. He believes that one of the biggest challenges for Plabell in the future will be, "getting communication under control, and letting people know what’s going on; so that when problems arise in the future, people can use their individual expertise to attack and solve the problems."

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**What is the Rapid Response Unit?**

The Ohio Bureau of Employment Services’ (OBES) Rapid Response Unit helps to arrange adjustment services for workers and companies involved in plant closings and mass layoffs. The Rapid Response Unit is designed to get workers help quickly. Under most circumstances, it will be coordinating employment services, unemployment compensation, and retraining programs. In some cases, however -- like at Plabell Rubber -- it will be searching for ways to avert job loss.

In cases where an employee buyout may be a viable alternative, the RR Unit can work with economic-development agencies to obtain financial and technical advice, including providing funding, where other sources are not expeditiously available, for a feasibility study of an employee buyout.

To obtain more information about the RR Unit, call the OBES at (614) 466-9842.
OWNERS SPEAK OUT

Editor's note: In July, the ESOP Association sponsored its first Non-Managerial Employee Owner Retreat (Center staff acted as trainers). The event was a sellout, attracting forty employee-owners from nineteen companies. Participants from Florida, California, Massachusetts, and Minnesota came to Chicago for the three-day event. We asked three of them whether or not the retreat was a valuable experience; their responses are below.

Last July's ESOP Employee-Owner Retreat was one of the most informational and beneficial retreat/workshops I have ever attended concerning employee ownership. I gained a much deeper insight into how and why ESOPs are organized and as to how they work. Crane Cams was fortunate in that we were able to send two people to the retreat so we were able to explore both Tracks A and B. I only wish we would have had a little more time so we could have gone through Track C also. Hats off and SALUTE to the ESOP Association and the folks at Kent State for a job well done.

Gary Thale is Training Coordinator for Crane Cams, a 91 percent ESOP located in Daytona Beach, Florida.

The retreat made me realize that every ESOP company is not structured the same way. Fortunately, I work for a company that strongly encourages employee participation. This made the different training exercises very beneficial to me. Along with the learning experience, the open communication was very enlightening. We are also using a lot of the ideas and exercises during our ESOP week celebration. The excitement level was so high; it made it very easy to bring that level back with me to share with everyone.

Sharyl Happy works in the Asset Management Department at the Matthews Book Company, a 30 percent ESOP in Maryland Heights, Missouri.

Yes. You can learn about ESOPs and learn how they work for you and the company. In my position, I need to know more about how to administer it.

Charles Coons is a Wire Drawer and member of USWA local 1314 at Indiana Steel and Wire, an 84 percent employee-owned company in Muncie, Indiana.
Values, Strategies, and Our ESOP

I would like to outline a brief history of the Antioch Publishing Company since the inception of our ESOP, present a model for corporate strategy and how I interpret it, and lastly suggest how our ESOP fits into the model.

Recent Antioch Publishing History
Our ESOP was started in 1979 when our sales were just under $3 million. At that time, we had about 60 staff members. In our most recent fiscal year, our company’s consolidated sales passed $40 million, produced by about 400 people in 5 corporations. This represents a 20 percent compounded annual growth rate in revenues over the fourteen years since we established our ESOP. Our stock has risen from $97 per share in 1979 to $236 per share in 1993, a 6.6 percent compounded annual growth rate, despite the stock dilution caused by the issuance of new shares to the ESOP. We have also paid modest dividends.

What’s the model for developing a corporate strategy?
Recently at a meeting in Cincinnati, a model for analyzing corporate performance was presented by a consultant, Peter Schultes. I have found this model a useful way to analyze Antioch’s organization, successes and weaknesses. This particular model consists of three keys to corporate performance: 1) purpose, 2) teamwork, and 3) measurement.

Purpose
We spend a remarkable amount of time analyzing our purpose. Over the years we have evolved a corporate-wide mission statement. This is reviewed annually by the top management group from all the companies. In addition to the corporate-wide mission we also have mission statements from each company and/or each department within the company. Each department develops its own mission statement. I want to share with you the values section of our corporate mission statement:

We believe that in an economic exchange both parties to the exchange can benefit and strive for a win-win result in all exchanges that involve the Company. Profitable operation is the cornerstone of our ability to prosper and serve and is a measure of our economic health.

We are a community of work. We exist to fill human needs, to serve our customers, stockholders, staff and the communities in which we operate. We believe in a diverse work force sharing the rights and responsibilities of “citizenship.” These rights and responsibil-

The test of teamwork seems to me to be in dealing with problems. We do not expect the stress and strains to disappear, but we do expect to focus on the system, on the process, and to join with our colleagues in solving the inevitable conflicts.

Just over 56 percent of our stock is held by our ESOP, which is non-leveraged. Our ESOP has purchased both newly issued stock and some smaller stock holdings from outside stockholders.

Our original purposes in establishing the ESOP were: 1) to provide retirement benefits for employees which we could not have afforded otherwise, 2) to provide capital to help finance new equipment during a heavy growth phase of the business, and 3) to establish a value and provide a market for company stock.

Antioch Publishing now consists of five corporations. The parent company is in Yellow Springs, Ohio. There are two wholly owned foreign subsidiaries which distribute Antioch products: Antioch Ltd. (UK), and Antioch Inc. (Canada). We also have two other wholly owned manufacturing subsidiaries: Webway, Incorporated in St. Cloud, Minnesota, and Heritage Springfield, Inc. in Holyoke, Massachusetts.

Antioch Publishing creates, manufactures, sells, and distributes graphic arts consumer products including book marks, book plates, calendars, children’s books, memo boards, doorknob hangers, journals, diaries and other social books. Webway manufactures very high quality photo albums and was purchased while in Chapter 11 bankruptcy in 1985. Heritage Springfield manufactures mass market photo albums and was also in bankruptcy when it was acquired by Antioch in late 1990. Heritage Springfield is the most recent acquisition and is not yet integrated into the ESOP. Employees of the Canadian and British companies also are not participants in the ESOP.
ities include: respect, honesty, trust, fairness, social commitment, caring, and performance.

We are committed to providing high quality products defined as meeting or exceeding our customers' expectations. We are committed to continuous improvement of our products and services either to inside or outside customers.

From our many mission statements, I have selected two more to share. Here is Antioch's Manufacturing Mission Statement:

Our mission is to compete in a global market by manufacturing quality products at a competitive cost. To do so we must continually strive to improve our manufacturing standards without sacrificing the quality of our products.

We acknowledge the importance of successfully responding to our customers' needs and requirements in a timely and accurate manner. This response is what determines our success.

To meet our customers' needs we endeavor to maximize our resources through teamwork. We are committed to the enhancement of internal and external customer service with complete and accurate communication. We will pursue a mutually beneficial partnership with our vendors in order to utilize all available resources.

Our primary concern is for the safety and welfare of our fellow employees. We do so by maintaining a safe working environment through good housekeeping and training.

Webway's Creative Memories division is engaged in the direct sale of photo albums. Their mission statement follows:

Creative Memories believes in and teaches the importance of Preserving the Past, Enriching the Present, and Inspiring Hope for the Future.

We strive to re-establish the tradition of photo historian-storyteller and the importance of photo preservation and journaling for future generations;

We offer quality photo-safe products and information that utilize cutting-edge technology;

We provide profitable career opportunities to those who believe in and want to share the Creative Memories philosophy, values, and ethics;

We offer a successful company that provides joy, dignity, and pride for Creative Memories Consultants (sales people) and staff members.

Making work purposeful is a key responsibility of a manager. In the search for purpose, we have defined values which tie our organization together.

2) Teamwork

The Lone Ranger is dead. There is no silver bullet. The successful future is going to be built by cross-functional (inter-departmental) teams working together for a common purpose. This is a lot easier said than done. What specifically have we done to develop teamwork?

**Profile: Antioch Publishing**

**Products:** creates, manufactures, sells, and distributes graphic arts consumer products including book marks, book plates, calendars, children's books, memo boards, doorknob hangers, journals, diaries, and photo albums.

**Employment:** 400.

**Sales range:** $40 million.

**ESOP:** 56 percent employee owned.

We began with facilitators for our top management groups. We found clear improvement throughout the organization in cross-functional communication as the top managers learned to communicate with each other. The top management team-building work was done with the top four or five managers from each company at off-site retreats with facilitators who engaged the group in team-building exercises. Typically these programs lasted one day at a time and occurred three or four times each year. The team building has been supplemented by National Training Laboratories (T-groups) for all our top managers.

The next phase was to involve our supervisors (variously referred to as "coaches," "group leaders," "lead workers," and "plant specialists"). This was done with facilitators at day-long, off-site team-building sessions.

The final phase has involved team building with all staff. This has been done most successfully at sessions with an outside facilitator. Groups of about twenty meet for three hours. So far each of these groups has met three times.

For each of these broadly representative groups, individuals were selected to serve on the "team building steering committee." Their charter is to continue team building from the ground up. Their mission, developed by the group is:

Our commitment to this endeavor goes beyond the boundary of our individual work centers to include: customers, consumers, consultants, sales reps, ven-
dors, community -- even family members and significant others in our private circles. Operating under the principle that "attitude is power," we will conscientiously strive to nourish our attitude as carefully and consistently as we feed and maintain our body. We believe that our attitude is nurtured by the way we respond to the demands imposed by "change." It is our conviction that openness to new ideas and methods is an acquired skill, and those who embrace such changes will discover a reservoir of constructive power, adding energy to our work and purpose to our lives.

Is it working? Not always, but the improvement is remarkable. The test of teamwork seems to me to be in dealing with problems. We do not expect the stress and strains to disappear, but we do expect to focus on the system, on the process, and to join with our colleagues in solving the inevitable conflicts.

Measurement

In the quest for continuous improvement, measurement is a key. We are still struggling with new ways to measure what we do. Measurement is clearly the cornerstone of improvement efforts such as statistical process control (SPC), total quality management (TQM), customer service and financial performance.

We have begun to identify each constituency we expect to serve (i.e., customers, staff, stockholders, lenders, and the communities in which we operate). We have begun to ask ourselves how do we measure our performance with each of these constituencies? To me the measurement challenges appear to be in the non-financial measures. At this point, we have such a proliferation of information, misinformation, and wanted-but-not-available information that I hesitate to speculate on where our search for improved measurement outside of the traditional shop floor and financial realm will lead. What we measure, however, will dictate where we focus our energy.

How does the ESOP fit in?

The ESOP is where the three pieces of the model converge. It involves purpose, teamwork, and measurement.

The ESOP creates a sharing of interests among staff, management, and stockholders. These common interests are the first, and key, step in creating a common purpose.

The ESOP is solid evidence of teamwork and a commitment to sharing. Information must flow freely to support teamwork. Information sharing begins with the Board of Directors and with sharing the interests of ownership. Our Board of Directors consists of nine members -- two nominated by staff election, two from management, and five from the outside.

The ESOP is a measure. All staff have increased their interest in the company performance dramatically. I believe that the three things that have made our ESOP the most effective are as follows: 1) the contributions have been significant, 2) each participant's account has become a large amount of money, and 3) we pay dividends that are passed through to participants. As Chairperson of the company, I certainly feel the pressure to perform and an important measure of my performance is the performance of our stock and our dividends.

The ESOP is not a cure-all, but it is a concrete demonstration of where our values are. The ESOP did not drive the values; instead, the values drove the establishment of our ESOP.

Our values are constantly being tested and reexamined. The ESOP has now become a stabilizing force in the preservation of our corporate values. I believe that the strategies which support the ESOP -- purpose, teamwork, and measurement, are key factors in the success of any organization today.

Mondragon Cooperatives Study Tour

March 17-28, 1994

Join with people from growing networks of North Americans concerned about sustaining the economic stability of our communities and travel to Spain to explore democratic worker ownership in a globalizing economy in Mondragon and at other Spanish co-ops. During the trip, you can learn from the dynamism of the Mondragon cooperatives within the "Basque Social Economy" and of the challenges presented to its worker owners by the coming of the European Economic Community.

The 170 Mondragon firms, 90 of which are industrial, employ 21,000 worker owners. They collectively have annual sales of $2.6 billion, 25 percent of which are to foreign markets. This integrated complex of companies includes Spain's largest producer of consumer durables (stoves, refrigerators, electrical appliances) and Spain's seventh largest manufacturer. Another firm is one of Spain's major machine-tool producers. The complex also includes a chain of supermarkets, agricultural and service co-ops, and a community-development bank, which has 400,000 families as depositors.

Join us in March to investigate Mondragon with others who analyze, experiment, and educate about new models and strategies of development.

$3000 from New York (limited to twenty people)

For more information contact:
Intercommunity Justice & Peace Center
215 E. 14th Street, Cincinnati, OH 45210
(216) 579-8547
INDEX OF THE FIRST FIVE YEARS OF OWNERS AT WORK

With this issue, Owners at Work completes its fifth year of reporting on employee ownership in Ohio. So here is what all you packrats and librarians have been asking for: an index so you can easily locate your favorite company case studies, inside perspectives of managers and workers, research reports, and articles on legislation, training, and participation in employee-owned firms.

Individual back issues of the newsletter are still available on request without charge, and a limited number of complete sets are available to libraries for $10. The easiest way to get the company case studies and insider perspectives is to buy J. Bado, editor, The Case for Ownership (40 pages, 1993) for $5. To order, call Judy Wearden at the NOEOC, (216) 672-3028.

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WINTER 93
NEW CONTRACT, NEW INVESTMENT AT REPUBLIC

In an era when many American steel producers are cutting back, and some even shuttering their doors, Republic Engineered Steels is expanding. While a growth phase in the bar-steel business may seem improbable, the 100 percent employee-owned company has been surprising people since it became an ESOP in 1989.

The first "surprise" of this summer came when Republic purchased Western Steel -- a cold-finished producer which had facilities in Elyria, Ohio and Gary, Indiana -- out of receivership. Republic started production at the Gary facility in December with a workforce of thirty-three. The company expects the new facility to pay for itself during its first year of operations. According to CEO Russ Maier, "the purchase is very significant for Republic and its employee owners. We've come through three years of severe economic difficulty -- our survival phase. This acquisition marks the beginning of Republic's growth phase."

During the fall, the company positioned itself for even more growth by restructuring its financing. Republic floated a $200 million bond issuance on the public market, which will allow the firm to retire more than $150 million of its current debt. Retirement of the outstanding debt will enable the company to obtain the financing to build a new, state-of-the-art continuous caster facility adjacent to its melt shop in Canton. The new caster, reheat furnace, billet mill, and related equipment will enable Republic to cast 70 percent of its products, rather than the current 30 percent.

While the new caster will benefit employee owners, they also garnered some immediate monetary benefits from the refinancing and the negotiation of a new, six-year contract between Republic and the United Steelworkers of America (USWA). The contract has a $1 wage increase retroactive to June 1, with the possibility of an additional $2 per hour in increases upon achievement of cost-reduction goals. "Our members took an antiquated company and turned it into an industry leader," said Bill Lynn, President of USWA local 1200. "They put in the effort and are being rewarded for it." Salaried employees are also being rewarded for their efforts; they, on average, will receive a 10 percent wage increase.

The fact that Republic is building a new caster facility, and paying wage increases and clearly demonstrates how much things have changed at the company. When LTV placed the bar division up for sale in 1988, it was a struggling division of a bankrupt conglomerate. In fact, investment analysis stated at the time that "the greatest hope for a sale of the bar division is to a foreign investor with deep enough pockets to fund needed capital improvements." Buyers who looked at the company said that it would have to improve operating efficiencies by 30 percent to survive.

When a viable buyer did not emerge, labor and management joined together to purchase the bar division. The firm has faced tremendous challenges as a stand-alone operation, including a fiercely competitive market, stagnating automobile sales, and a near depression in the steel industry. However, despite this environment, the firm has weathered the storm, and employee owners' efforts continue to draw accolades from customers. Republic recently won Honda of America's highest honor, its Production Support Award, which is given to suppliers that provide materials with zero rejects.

The evolving Republic story is an example of how employee ownership can open up new avenues for cooperation. When Republic's leadership was faced with a challenging environment, labor and management found a new way of working together to overcome it. Their jointly sponsored efforts did not involve massive layoffs or plant closings designed to improve "operating efficiencies." They asked the company's greatest resource, its employee owners, how to improve efficiencies. The result: more than 1,000 ideas generated, which lead to $60 million in cost savings and the retention of 3,900 Ohioans' jobs.
CEOs Chart New Direction for Network

In an era of corporate downsizing, many ESOP companies are bucking conventional wisdom and investing more in their employee owners. One indicator of this commitment to building employee-owners skills is the significant increase in training reported by companies in the NOEAC's Ohio ESOP study (see pages 2-5). For example, the proportion of ESOPs doing non-managerial training in problem-solving jumped from 31 percent before to 54 percent after the establishment of the ESOP.

Many of the companies of Ohio's Employee-Owned Network are in the forefront of this trend. At the Network's annual meeting, company representatives stated that developing internal resources is a key to future success. As Norm Brennan, the CEO of Dimeo Gray, explained, "All our companies are trying to utilize our human resources in a new way. We [Network companies] need support in developing the skills needed."

CEOs chart new directions for training

Meeting Ohio ESOPs training and development needs has been a primary function of the Network. At the Network's annual meeting on September 9 -- and in a follow-up survey -- Ohio companies identified leadership development, financial training, and ownership education as areas for the Network to focus on in 1994.

CEOs felt that building skills in running meetings and facilitating groups were both important elements in creating more effective leaders. These elements are included in the Network's supervisor training program, which will be repeated in 1994. However, as most readers of this newsletter know, leaders at ESOP enterprises are much more diverse than the "traditional" supervisory group. Feedback from CEOs reflected this fact; they want meeting skills training for committee members, group leaders, and frontline or mid-level management staff who play an increasing role in implementing employee participation. In response, the Network will hold meeting skills/group dynamics workshops on April 14, in Kent, and April 21, in Toledo. Other training areas identified by CEOs as priorities were human relations, team problem solving, and dealing with conflict situations.

Company leaders also stated that the Network should do more basic training in corporate finances. "[But] let's be realistic about the complexities of financial issues," said Steve Walko, the CEO of Textileather in Toledo, "and cover the basics so they [employee owners] gain an awareness of what managers face in business planning and financing." CEOs noted that the Network's hands-on approach to financial training makes the session valuable for employee owners. "Financial training needs to have a practical application," as John Warfel, President of the James B. Oswald Company explained. "Participants may need help in formulating the kinds of questions they need to begin asking when they return to their companies."

Bliss-Salem holds participation forum

Bliss-Salem employee owners opened the one-day session with a brief overview of the firm's heroic past and its remarkable survival history. During the day, they highlighted stories about some of the company's on-going efforts to develop more employee participation.

Attendees heard about the company's innovative solution to hiring a new plant manager. This task, along with performance reviews, was assigned to a cross-departmental team of shop-floor workers. The chairperson of the plant-wide hiring team, whose members were elected from each department, discussed the steps that the team followed to develop a process for recruiting, screening, and selecting the new manager. He also spoke of recent challenges faced by the committee in evaluation the new manager's on-the-job performance after six months.

Bliss also highlighted the evolution of its Joint Strategic Decision Board (JSDB), an elected hourly and salaried steering committee. When it began, the JSDB included the company president, the plant manager, the union president and three other appointees. Now, two hourly and two salaried members are elected by ESOP shareholders to serve alternating two-year terms. Over the years the role of the JSDB has also changed. As JSDB members explained, the committee now communicates about problems and issues, serves as liaison for the company's six permanent problem-solving teams, and coordinates the firm's Action-Needed program -- a problem identification and communication tool. The JSDB provides employee owners with direct feedback on the ideas submitted through the Action-Needed process.

The JSDB's authority has also fluctuated over the years. The JSDB was more influential in the past when the company president was a member. As JSDB members noted, the board currently functions much like other committees do. However, the group is seeking to restructure its
role and recently approached the company’s Board of Directors for more responsibility.

There was a lively discussion throughout the day of the successes and challenges of Bliss-Salem’s efforts to generate more employee involvement. Participants from Republic Engineered Steels, Quincy Castings, Erie Forge, Sharon Manufacturing, Jet Rubber, and the Flood Company shared their experiences in trying to create a “culture of ownership.”

What are ESOPs doing about repurchase liability?

Repurchase liability, or the obligation to buy-back ESOP shares, is an ever-present concern for ESOP firms, especially companies which have paid off their loan, have a group of employee owners nearing distribution deadlines, or simply have been very profitable. It is surprising to note that very few ESOPs seem to have any kind of a plan at all.

One indicator of this lack of planning is the response to the NOECC’s Ohio ESOP Study which showed that 75 percent of the 167 responding companies indicated they handle repurchase liability out of current cash flow. The cash flow method works well as long as a company has projected its short and long-term obligations and has the cash available.

What appears more likely is that most ESOP businesses have not projected their repurchase obligations. Most firms do not have a plan and are unsure what type of repurchase liability strategy is best for them.

A working session on solutions for handling repurchase liability obligations brought representatives from nineteen ESOP companies together last July in southwest Ohio. Overall, their concerns centered on: Is our strategy a valid one? What are all the options? How does diversification complicate our liability? and What are other ESOP companies doing about this?

Ed Schmitt of Riesbeck Food Markets and Pat Finnegan of Fastener Industries both provided answers to some of these questions. Each gave an overview of their respective firm’s repurchase liability strategy. Schmitt described Riesbeck’s use of an actuarial study combined with yearly updating as the basis for the company’s on-going analysis. Fastener, which has immediate distribution requirements upon separation, uses short-term and long-term approaches. Finnegan noted that the company’s long-term liability is managed through a company-owned life insurance program covering employees on a strictly voluntary basis.

The pros and cons concerning each of several basically different approaches were discussed throughout the session. The impact of each approach on stock value, cash flow, taxes, and dilution of current shares was noted by several specialists, including a lawyer, a valuator, and an insurance consultant, who offered their perspectives in response to participants’ specific questions.

## Calendar of Events 1994

| January 6 | Dayton |
| February 10 | Kent |
| March | Columbus |
| April | On-site |
| April 14 | Kent |
| April 21 | Toledo |
| May 12 | Kent |
| June 16 | Dayton |
| July 14 | Toledo |
| August | tba |
| September 15 | Kent |
| September 22 | tba |
| October 27-29 | Atwood |
| November 10 | Kent |
| December 8 | tba |

*An additional fee is charged for this session.*

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Financial Terminology
ESOP Administration Forum
CEO Roundtable
Participation and Communication Forum
Meeting Skills Training*
Meeting Skills Training*
Financial Analysis Workshop
Advanced ESOP Issues Workshop
ESOP Administration Forum
Participation and Communication Forum
Supervisor/Team Leader Workshop*
Supervisor/Team Leader Workshop*
Leadership Development Retreat*
Annual CEO Meeting
Supervisor Workshop/Changing Roles
NATIONAL EMPLOYEE OWNERSHIP CONFERENCE COMING TO CLEVELAND IN APRIL

Ohio's employee-owned companies will get a chance to meet a national audience at the National Center for Employee Ownership's annual conference. From April 6-8, 1994, the National Center will hold its 13th Annual Conference on Employee Ownership and Participation at the Stouffer Tower City Plaza Hotel in Cleveland, Ohio.

According to the National Center, this conference promises to be the largest ever, attracting more than 400 people from the US and abroad. This year, Ohio based employee-owned companies will have the opportunity to highlight their successes at a special reception the first night of the conference. Companies will be exhibiting information about how employee ownership has changed their corporate culture and the employees' day-to-day work life.

Unlike many other business meetings, the Center's conference is organized primarily as a series of panel discussion sessions encouraging attendees to ask questions, and describe their own experiences both to panelists and other participants. Panels include speakers from the legal, financial, and academic communities, as well as from employee-owned companies who send both managerial and non-managerial employees to participate.

Panel topics cover a wide range of subjects including corporate communication issues, basic information on ESOPs and how to set them up, employee training and education, technical issues and international employee ownership.

For information on conference registration (and discounts for companies which send more than one participant), contact the National Center for Employee Ownership, 2201 Broadway, Suite 807, Oakland, CA 94612, telephone: (510) 272-9461/Fax (510) 272-9510.

Since the National Center is holding its conference in Cleveland, the NOEOC will not hold its annual Ohio conference in 1994. NOEOC staff, however, are assisting with the National Center's conference and look forward to seeing you at the event.