

WORKING CAPITAL

*The Real Stakeholders
in America's Private
Employee-Owned
Companies*

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LIVING THE AMERICAN DREAM AT WORK

EFFECTIVE JANUARY 1, 1998, THE U.S. CONGRESS PASSED NEW laws to enable U.S. employees to own Subchapter S companies where they worked through an employee-stock ownership plan (or “ESOP”). Today, there are numerous S corporation ESOP companies operating in every state in the nation, in industries ranging from heavy manufacturing to retail grocery stores, from construction to consulting.

In establishing S corporation ESOPs, Congress was careful to ensure that the benefits of this ownership structure extend to the rank-and-file employees of the S corporation. As a result, S corporation ESOPs have become perhaps the most effective retirement savings plan under federal law.

While nearly 60% of working Americans do not have *any* employer-sponsored retirement savings plan, *all employee-owners do have a plan, and that plan is wholly funded by their companies*. Indeed, at a time when most Americans have precariously low savings, employee-owners in S corporation ESOPs report that their ESOP account balances are three to five times higher than the U.S. average for 401(k) plan participants, according to the National Center for Employee Ownership (“NCEO”).

As the stories here demonstrate, employee-owners of S corporations across the country are more invested in their companies’ success, are less likely to quit or be laid off, and are more prepared economically for retirement than their counterparts in U.S. industry. The results for employees who own these companies, for the companies themselves, and for the economy as a whole are truly remarkable.

Employee-owned S corporations accomplish exactly what Congress intended them to do: providing retirement security for millions of American workers, who otherwise might not have the ability to provide for themselves in retirement, while also creating jobs and economic activity in their high-performing businesses. It is imperative to retain this retirement savings vehicle that works as Congress intended.

PRIMUS SUFFREN

MESSER CONSTRUCTION CO. ☆ Ohio



“When you start and there’s nothing, and then when you’re done . . . it’s a beautiful thing.”



WHEN HE BUILT SAND castles as a child in the U.S. Virgin Islands, Primus Suffren would imagine building larger things that might last longer than the next tide.

Pursuing that dream took him from the Caribbean to Columbus Ohio, where he earned a civil engineering degree at Ohio State University, and then to Messer Construction Co. At 33, he is a senior project manager in one of the busiest markets for Messer, which

operates nine offices in Ohio, Kentucky, Indiana, Tennessee and North Carolina.

Primus has been just as driven about building a future for his family—his six brothers and sisters, and the family he may one day have, when he can slow down enough to start one. For now, that means bringing a sister to Ohio State, where she is now enrolled, and building up enough savings to make the other dreams come true.

And that’s a major reason why, as a newly minted engineer, Primus chose Messer. As a fast-growing, employee-owned company, Messer offered Primus the opportunity to leverage his contributions to the firm into a rapidly increasing equity stake. “The ESOP concept really appealed to me,” he said. “The connection between what you do for the betterment of the company and your own betterment. In my opinion, it provides more motivation.”

Primus has other savings and investments, but he says that his largest and fastest-growing asset is his ownership of Messer. “It has performed much, much better than the stock market and almost every other kind of investment,” he said. That’s a detail Primus says he repeats on recruiting visits to his alma mater and other universities, where Messer’s employee ownership gives the company an edge over competitors.

Primus enjoys representing Messer at these events, but not as much as he likes building things. “I love what I do,” he says, describing some favorite projects: a new fleet management facility for a local fire and police department, and the first LEED-certified science building in the region for a college or university. “When you start and there’s nothing, and then when you’re done . . . it’s a beautiful thing.” ☆



“I think we would have worried a lot more if we didn’t have something to fall back on.”



ANITA WEINZATL

WALMAN OPTICAL ☆ Wisconsin

ANITA WEINZATL HAD WORKED IN customer service for employee-owned Soderberg Optical for nearly 30 years when Soderberg was acquired by Walman Optical, another employee-owned company serving retail eye care businesses and professionals. Merging the two companies provided stronger, faster growth for Walman Optical and the retirement savings accounts of its employee-owners like Anita.

“It was a surprise, and . . . it really was great that it happened when it did,” said Anita. That’s because this stroke of good luck occurred around the same time that Anita’s family had some bad luck. Due to the struggling manufacturing industry, Anita’s husband, who is a skilled tradesman, was laid off from one factory, and then two years later from a second, after his new employer shifted operations to Mexico. Two years ago, he was laid off from a third manufacturing job. As always, Anita says her husband has bounced back and is working again, but the lesson of the last six or seven years hasn’t been lost on her. “It’s a tough time,” she

said. “I think we would have worried a lot more if we didn’t have something to fall back on . . . and the ESOP was a major part of it.”

Anita also saves money with a company-sponsored 401(k) plan invested in the stock market, but she isn’t impressed with its performance over the last decade or so. “It got to the point where I was happy when it wasn’t losing money.” With her family’s income uncertain at times, Anita said she appreciates the fact that the Walman plan doesn’t require her to take savings out of her own paycheck—that an amount equal to a percentage of her pay is added to the ESOP on her behalf. “That makes it feel like more of benefit,” she said.

After 36 years at Walman/Soderberg, Anita has a lifetime’s worth of connections with ophthalmologists and opticians. That knowledge is priceless to a company that emphasizes personal service, and Anita says her growing stake in the company’s ESOP is a powerful incentive to stay on the job and put that experience to good use. ☆



ANN HUDOCK

DAI ☆ Maryland



AS A YOUNG VOLUNTEER IN SIERRA Leone and later as a State Department officer, Ann Hudock witnessed the disintegration of that West African nation in a devastating civil war. She hoped to one day be part of efforts to help it recover.

That's one of the projects Ann is most proud of as a managing director for DAI, a global development company that has worked in 150 countries to promote democracy and economic development. DAI employees are helping train police, judges and other officials, working with government in Sierra Leone's capital, but also with local leaders and citizens groups to ensure that all have incentives to work together to improve public safety.

Incentives are also important in encouraging DAI employees to take on the challenge of working in difficult and sometimes dangerous places. Ann says that making a difference is the most important incentive for DAI's eager employees, but it helps that they are all also DAI's owners, sharing in its growth and success. The company is 100% owned by its employees, and Ann says this ownership structure has helped create a corporate culture that is remarkably transparent and collaborative.

“Employee ownership binds us together in our difficult and sometimes dangerous work.”

“I've never worked at a place where people are so willing to share information and help each other, she said. “I think the ESOP has a lot to do with that.” After a career in government and non-profits, Ann says that “I can see how [employee ownership] motivates people.”

Americans are often skeptical that foreign aid is always used wisely, and companies like DAI are under constant pressure to prove that they are operating as efficiently as possible. Ann said that employee-ownership is a powerful advantage in this regard, since it gives every employee an incentive to ensure that no one is doing less than their best. It is an advantage that she is now taking on the road, spearheading an expansion of the company in Europe, which has a limited history of private companies competing to deliver foreign aid. “I believe that DAI's strengths, and I would include the ESOP, put us in a really good position to become a global company,” she said. ☆

GREG MUNDY



INLAND TRUCK PARTS COMPANY ☆ Kansas

INLAND TRUCK PARTS Company depends on dedicated employees. Inland's employee-owners are very knowledgeable in all aspects of the business and care about customer service. Inland has numerous long-term employee-owners that help newer employees understand that a long career with Inland will secure their future retirement through the Inland ESOP.

Employee ownership didn't make Greg a hard worker, he learned that from his parents and it has continued during his career with Inland. His mother, at 83, is still employed full-time so he has had a great role model for work habits. Greg started at Inland in 1976 when it had three locations, and he knew through hard work and dedication that he would have a great retirement whenever that day comes. Starting in Omaha, Nebraska, Greg has moved his family to Minnesota, South Dakota, Texas and Kansas. "It was challenging every move relocating your wife and four children. I thought of it as a challenge and a way to continue growing with the company by relocating and opening new locations" for the company, which now operates 27. "It really helps when you have a very supportive wife. We knew that these moves would help secure our future."

"It definitely makes a big difference to own a part of a company."



After 36 years and decades of building equity in Inland, Greg knows that he will have a secure retirement. Employee ownership makes a big difference, according to Greg, for young and old employees who are otherwise unlikely or unable to put aside money for their future. Each year Inland Truck Parts typically contributes 15% of a

worker's wages in the form of company stock which grows into a meaningful retirement savings account. At age 50 and ten years of service, Inland employees may choose to diversify their investment. "I can tell you there were times that I could have used that money," said Greg. "I am really glad that I will now have it for retirement." ☆

DREA ARNOLDIN

PACIFIC STEEL AND RECYCLING ☆ Montana



“I tell them, ‘look at what this can do for you,’ and I think it gives them a good reason to stick with the company.”



WHEN SHE GRADUATED FROM college two years ago with an accounting degree, following the worst financial crisis since the 1930s, Drea Arnoldin had some idea that finding work near her hometown of Missoula, Montana might require some career flexibility.

“But if you had told me I’d be working in a scrap yard, I wouldn’t have believed it,” she added.

Drea (short for Andrea) sometimes jokes about the rough image of her work at Pacific Steel and Recycling, but the truth is that metal recycling is a logistically complex, international, multi-billion dollar a year industry that demands every bit of what she learned in school—including the accounting.

When you are a young person like Drea, keeping careful track of someone else’s money on a spreadsheet can be easier than giving a thought to your own retirement saving. Drea said she didn’t think too much about the fact that Pacific is owned by its employees when she started working for the company. In a relatively a short time, however, participating in Pacific’s ESOP has transformed her attitude toward work and her views about saving.

First, she started hearing about long-time Pacific employees, some of them with modest salaries, who had managed through the employer-provided ESOP to save considerable sums—more than enough for a secure retirement. She then asked herself whether she would have chosen to start putting aside enough savings, through an IRA or a 401(k) plan, to build this kind of nest egg.

Drea said she realized that “the best thing about the plan, at least for me, is that I don’t have any choice about it.” Pacific makes contributions to the fund on her behalf and unlike a 401(k) plan, there aren’t provisions to make withdrawals or borrow from it. “I like the fact that I can’t touch the money,” she said.

Employee ownership has made Drea think about work for Pacific as a career, instead of only her first job out of school. She travels to other Pacific facilities around the Northwest advising younger employees about the value of the company’s ESOP. “I tell them ‘look at what this can do for you,’ and I think it gives them a good reason to stick with the company.” ☆



DOUG JORDAN

TRANSFORM AUTOMOTIVE ☆ Michigan

“It’s a real motivator. It does make me want to be a better employee.”



LIFE HAS TAUGHT DOUG JORDAN A LESSON or two about the advantages of employee ownership.

Before he came to TransForm Automotive in 2006, Doug worked for 20 years as a machinist at another company in the Detroit area. He paid into a defined benefit pension and viewed that as the central piece of his retirement planning. But then the company ran into trouble and ended up dissolving the pension plan. Doug still expects to get some of what he was expecting from that plan, but not nearly as much as he had hoped.

Doug didn’t have much of a say about what happened to his pension, but that is not true at TransForm, an advanced metal-forming supplier in Sterling Heights, Michigan that specializes in transmission components. As an employee-owner, Doug owns a piece of the company. When the statement of his ever-growing equity in TransForm’s parent company, Amsted Industries, shows up in the mail, Doug can see how his hard work translates directly into greater financial security.

“It’s a real motivator,” said Doug, who operates computerized metal forming and machining equipment. “It does make me want to be a better employee.” Doug says he sees the same effect in his co-workers, who take responsibility for their own work and for the performance of everyone.

The value of Doug’s ownership stake in Amsted has grown much faster than his pension plan from his prior job ever did. That’s reassuring as Doug and his wife raise two teen-aged daughters and look ahead to cars, college and other expenses down the road.

Like many people, Doug doesn’t expect Social Security and Medicare to provide everything he and his wife will need as they grow older. Amsted’s ESOP will supplement that. It is a benefit, measured in dollars and cents, that will pay off years from now, but it is already providing something else very valuable: peace of mind in uncertain times. “It kind of makes me feel like I can handle it all,” said Doug. ☆

SUSAN ENLOW

LIFETOUCH INC. ☆ Minnesota



“Every day I see how our ESOP changes lives.”

LIFETOUCH, BASED IN EDEN PRAIRIE, Minn., is Photography for a Lifetime. Best known for the tradition of school pictures, Lifetouch also operates retail studios across the country and provides portraiture and directory services for churches and organizations. Lifetouch has been capturing memories for families since 1936.

Following the death of his business partner in 1972, co-founder Bruce Reinecker began exploring options to reward the people who had devoted their lives to working hard for his company. By 1978, he and his management team found the answer within a new framework of employee ownership. It was a structure that made sense for Lifetouch which had always depended on an entrepreneurial spirit and personal touch.

Susan Enlow began representing Lifetouch as outside counsel in 1981, advising on the company's ESOP and other business matters. She was a long-time ESOP advocate, having represented other ESOP clients. She was intrigued by employee ownership and the unique culture generally found in ESOP companies. Enlow was thrilled to become an employee-owner at Lifetouch when she and her law partner, former general counsel and current ESOP Trustee Richard Hassel, formed the company's in-house legal department.

The photography business has faced challenges as technology has created competition for photography professionals. Lifetouch has survived and prospered in large part because employee-owners have worked together, innovating and differentiating Lifetouch with high quality professional portraits.

Enlow has found that owners of other photography operations want to sell their business to Lifetouch because they can retain a sense of ownership while participating in a successful retirement plan, something many do not have as an independent company. “I talk about how ownership motivates employees and how they have a real stake in the company's success. Their efforts can increase the value of their retirement benefit,” says Enlow.

Today, she continues as an ESOP advocate to the 17,000 Lifetouch employee-owners. “Put simply, our ESOP has fostered a culture that encourages our employee-owners to work together for the common good. We know our individual contributions drive results,” shares Enlow.

“Every day I see how our ESOP changes lives, from new employee-owners just starting to save for retirement to our retirees who are able to leave Lifetouch with healthy retirement balances and memories of working somewhere truly special.” ☆

MIKE ORTIZ

HOLDEN INDUSTRIES ☆ Illinois



“This company is taking care of me and my family.”



MIKE ORTIZ WAS A PRINTING PRESSMAN for more than 20 years before he gave much thought to employee ownership. He had raised three kids, all destined for college, and tried to balance the need to save for their education versus saving for his own retirement in a 401(k) plan. It is the way many Americans save for the future, but today he recalls something about 401(k) plans that didn't make sense to him.

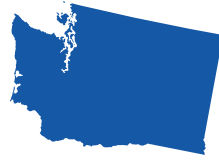
“You know, I could work hard . . . and be careful [in saving] and something would happen with the economy and the stock market, and I'd lose money,” Mike said. That happened several times. And it didn't have anything to do with me.”

Then, in 2007, his employer, Nosco, a division of Holden Industries, made the transition to becoming an employee-owned company. Nosco, based in Gurnee, Illinois, makes packaging for the pharmaceutical industry, under an exacting process that is regulated by the Food and Drug Administration. It is the largest independent company in this demanding field, relying on the efforts of highly-skilled employees.

For Mike, the shift to an ESOP was like turning on a light in a dark room. “I loved it. I felt like I was finally controlling my own destiny.” Mike's ownership in five years has grown to a considerable sum, “much, much, much faster,” he said, than any of his other investments. Mike also takes his responsibility as an employee-owner seriously. He's become a promoter of employee ownership in Holden's other divisions, travelling to different facilities and telling younger workers how much they could gain from the ESOP. The added security of employee ownership has tightened Mike's bond with his employer. “This company is taking care of me and my family.” ☆



“The ESOP helps people make good decisions.”



MARK PLANCK

SCHWEITZER ENGINEERING LABORATORIES ☆ Washington

MARK PLANCK SAYS IT IS no coincidence that Schweitzer, which was ranked as one of the 100 best places to work by Fortune Magazine, is employee-owned.

“It has always been part of the company culture” to place a high value on its people, said Planck, who joined Schweitzer in 1989 when it had only 40 employees. Since then, Schweitzer has grown to employ 3,500 people, designing and manufacturing relays and other power management equipment for customers in 142 countries.

Putting employees first was a big factor in the 1994 decision of founder Ed Schweitzer to begin transferring ownership of the company to its employees. Before he came to Schweitzer, Mark worked

in Alaska and elsewhere in the West before settling down with his wife near Schweitzer’s headquarters in Eastern Washington. Twenty-three years later, he’s grown deep roots that are connected to his shares in the ESOP, which have multiplied in value as the company has grown and thrived.

Mark sees his work for Schweitzer as helping protect a sizable asset, and says that his co-workers do too. “It comes up surprisingly often, actually,” he said. “Someone will say, ‘is that the right thing for the ESOP?’ I feel like it helps people make good decisions.”

In honoring Schweitzer as a great place to work, Fortune relied on a survey of employees who highlighted the ESOP and other ways

that the company values the contributions of employees. For example, every employee is given \$80 each month to use for education.

Like most Schweitzer workers with children, Mark knows the math for a simple calculation: \$80 a month for 18 years in a basic savings account adds up to something above \$15,000. Mark’s stipend is headed to help pay expenses for his daughter, now attending college.

A remarkable thing about Schweitzer’s education stipend is that, like the ESOP, it is 100% employer-provided, requiring no employee contributions to receive the benefit. “I feel blessed to work for a company with such a culture of respect and caring for its employees,” said Mark. ☆

*“My folks worked . . . until they weren’t able to work.
It is nice to know that I won’t be in that position.”*



PAULA WEEKS and NOELIA GRACIA

WINCO FOODS ☆ Idaho

PAULA WEEKS SAYS SHE has always had one simple goal for retirement—to have a little more time left than her hard-working parents did.

Paula’s parents ran a gas station, until her Dad suffered a massive heart attack, and then her mother worked in a nursing home and later a day care center. “My folks worked . . . until they weren’t able to work,” she said. Their efforts in the face of adversity were a powerful example, and so too were the implications of not being able to put aside enough to supplement Social Security. “It is nice to know that I won’t be in that position.”

That’s because of a considerable amount of savings that Paula has amassed through the ESOP at WinCo Foods, which operates 85 warehouse grocery stores in seven Western states. Shortly after she started working at WinCo’s Twin Falls, ID store in 1984, a majority interest in the company was purchased by its employees. While Paula’s 401(k) savings and her husband’s Independent Retirement Account have grown pretty slowly in recent years, WinCo’s ESOP has grown an average of 21.5% a year since

1985. “We’re really depending on it,” said Paula, who started in the seafood department but more recently has worked in the meat department.

Noelia Gracia, a 24-year veteran of WinCo’s Nampa, Idaho store, says she has been astounded by the gains in her ESOP account over the years. She is now the manager of the store’s non-food variety department, including pharmacy items and toys, but when she started as a clerk, she said she had hardly given a thought to retirement.

Back then Noelia’s son and daughter had just started elementary school, and Noelia said she was focused on helping make ends meet. Now they are grown—her son is working for a local RV manufacturer, and her daughter is a mom herself. As they turn to

building families and careers, Noelia says she is pleased that her own financial security will make their lives a little simpler.

In addition to the financial benefits for themselves, Paula and Noelia believe that employee ownership makes WinCo a better company. “People pay attention more to what they’re doing, and what other people are doing,” said Paula. “We joke about it and say ‘make sure that isn’t coming out of the ESOP,’ but I think people really are more careful not to waste supplies.” Noelia says that she’s noticed that employee ownership has given WinCo an edge over competitors in hiring and keeping employees. “More (prospective employees) mention it in interviews, so I think word has gotten around,” she said. ☆



ABOUT THE EMPLOYEE-OWNED S CORPORATIONS OF AMERICA

ESCA is the Washington, D.C. voice for employee-owned S corporations, whose exclusive mission is to advance and protect S ESOPs and the benefits they provide for the employees who own them. These companies have an important story to tell policymakers about the tremendous success of the S ESOP structure in generating retirement savings for working Americans and their families. ESCA provides the vehicle and the voice for these efforts. Our S corporation ESOP members include:

Acadian Ambulance Services
ACCO Engineered Systems Inc.
Agri-Service, Inc.
Agron, Inc.
Albert C. Kobayashi, Inc.
Alterman, Inc.
Amsted Industries
APi Group, Inc.
Appleton Marine
Austin Industries
Bartlett & West, Inc.
Bimba Manufacturing
BKV, Inc.
Blue Tee Corp.
Border States Electric
BRAAS Company
Brookshire Brothers
Burns & McDonnell Engineering
CACO PACIFIC Corporation
Caltrol, Inc.
Carris Reels, Inc.
C.C. Myers, Inc.
Central States Manufacturing, Inc.
Centrol, Inc.
Chatsworth Products, Inc.
Clif Bar & Company
Development Alternatives, Inc.
Dexter Apache Holdings, Inc.
Drive Train Industries, Inc.
E. Besler & Co.
Emery Sapp & Sons, Inc.

Entertainment Partners
Ferrellgas
Fike Corporation
Floturn, Inc.
FORCE America, Inc.
Forsythe Technology, Inc.
Freeman Companies
Garland Industries, Inc.
Garney Companies, Inc.
Gerald H. Phipps, Inc.
Griffith Company
HAC, Inc.
Hatco Corporation
HDR Inc.
Herff Jones, Inc.
Hisco, Inc.
HLB Tautges Redpath
HNTB
Hobbico, Inc.
Holborn Corporation
Holden Industries, Inc.
Horizon Hobby, Inc.
Inland Truck Parts Company
Jacobsen Construction Company, Inc.
Jasper Engine Exchange Inc.
John H. Carter Co., Inc.
KAPCO
Keller, Inc.
Kinney Drugs, Inc.
Lake Welding Supply Company
Lewis Tree Service, Inc.

Lifetouch Inc.
Management Action Programs, Inc.
The Management Trust
Mathematica, Inc.
McCarthy Holdings, Inc.
Messer Construction Company
Metcut Research Associates, Inc.
MMC Corp
Molin Concrete Products Co.
Moore Engineering, Inc.
Moretrench American Corporation
Murray Company
n-Link Corporation
NCM Associates
NewAge Industries, Inc.
New Belgium Brewing Company
Oftedal Construction, Inc.
Oxygen Service Company
Pacific Steel & Recycling
Parksite, Inc.
Pavement Recycling Systems, Inc.
PBI Gordon
PC Construction Company
Performance Contracting Group
Petersen Inc.
Phelps County Bank
Precision Pulley & Idler
Pridgeon & Clay, Inc.
Project WorldWide
Puffer-Sweiven

Recology
Richard Goettle, Inc.
Ritchie Industries Inc.
Royal Engineered Composites, Inc.
Schreiber Foods, Inc.
Schweitzer Engineering Laboratories, Inc.
Scot Forge Company
Sebesta Blomberg & Associates, Inc.
Segerdahl Group
Sentry Equipment Corp
Sierra Pacific Engineering and Products
Sletten, Inc.
SmithBucklin Corporation
Sonalysts, Inc.
SRC Holdings Corporation
Sundt Companies
TKDA
Thybar Corporation
Trinidad Benham Corporation
USA 800, Inc.
Vermeer Equipment of Texas
Volkert & Associates
Walman Optical
WesTech Engineering, Inc.
Williams Brothers Construction
WinCo Holdings, Inc.
Windings, Inc.
W.M. Barr & Company, Inc.
Woodfold Manufacturing, Inc.
Xtek, Inc.



★ ★ ★
S-ESOPs:
The American
DREAM
At
WORK