

- Cooperatives
- Employee Stock Ownership Plans (ESOP)
- Equity compensation
- Business law and transactions for labor unions
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Unions use worker ownership to protect jobs & organize new members

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PHOTO: Deborah Groban Olson (on right) at a meeting of the SewDetroit Co-op Organizing Committee



An ESOP or Worker Co-op

can save money for the seller and anchor good union jobs.

Six reasons to consider an ESOP

An ESOP is an employee benefit plan that invests primarily in employer stock. There are a host of tax incentives, briefly described below, to encourage business owners and unions to take advantage of ESOPs.

- 1 A union-led ESOP protects worker rights.
- 2 The selling owners can get a fair price for their stock.
- 3 The company can write off the expense of buying the seller's stock.
- 4 A Sub-S company's ESOP pays no income tax.
- 5 The seller's proceeds from an ESOP stock sale may be tax-free.
- 6 Sale to an ESOP can preserve the company's independence and reward the people who made it a success.



Five reasons to consider an Eligible Worker Owned Co-op (EWOC)

An EWOC is an enterprise where the majority of co-op members are employees and a majority of voting stock is owned by co-op members. A majority of the board of directors is elected by members on a 1 vote per person basis. Tax and other advantages are briefly described below.

- 1 Workers have more control over co-ops than ESOPs.
- 2 The sellers can get a fair price for their stock with less regulation.
- 3 The seller's proceeds from a stock sale to a worker co-op may be tax-free.
- 4 Co-ops are less expensive and less regulated than ESOPs.
- 5 Sale to a co-op keeps the company independent and rewards the people who made it a success.

Example 1

UFCW negotiated an ESOP with a significant union role in corporate governance and representation agreement for new stores. Since 2011 this 100% employee-owned chain of 76 grocery stores has already expanded to 80 unionized stores.

In 2011 Homeland Acquisition Corp. (HAC), a grocery store chain in Oklahoma and Texas, and United Food and Commercial Workers (UFCW) Local 1000, partnered to transition the company to 100% employee ownership using an Employee Stock Ownership Plan (ESOP). As part of the transition, HAC and UFCW negotiated a new contract and the terms of the ESOP, as well as a number of corporate governance provisions for the new company. When the deal closed at the end of 2011 there were 76 stores. Now there are 80 stores, all of them union.

Aided in negotiations by several financial and legal advisors, including Attorney Deborah Groban Olson, UFCW and HAC agreed on:

- 1 A new defined benefit plan;
- 2 ESOP participation for union members;
- 3 A significant role for the union on the board of directors;
- 4 A representation agreement covering new stores opened by the company.

According to UFCW Local 1000 President Ricky Burris:

"UFCW members are excited to own a majority of HAC stock and are eager to work with management to achieve continued success for the company. We take seriously the responsibilities that come with ownership, representation on the board of directors, and a voice in major corporate decisions."

Example 2

Maryland Brush Company, Inc. (MBC) located in inner city Baltimore, is now a one-vote-per-person, unionized, 100% employee-owned company.

After Pittsburgh Paint divested Maryland Brush Company, Inc. (MBC) in 1990, management and the United Steelworkers members bought the company through an ESOP.

Through the continuing assistance of Attorney Deborah Groban Olson, corporate and ESOP counsel since 1998, MBC has been able to establish and maintain its place as a worldwide manufacturing leader as well as a desirable, democratic, workplace. MBC is a full-service manufacturer of industrial brushes and paint brushes. The employees have one vote per person on shareholder issues, as in a co-op, and regularly participate in making company decisions.

As an ESOP, MBC is uniquely positioned to compete in the global economy, establishing the company as one of the most progressive employers in the industry, the majority of whom do not offer similar programs.

In 2000, the tenth year of the ESOP, MBC had experienced increased sales for the five preceding years and its stock value had increased by 133% since becoming an ESOP. Since then, the company's stock has consistently met or exceeded the earnings charted by the S&P, completely turning around MBC's financial picture and its prospects going forward.

Since 2008, the maturing market for industrial brushes caused MBC to seek new product lines.

In 2010, MBC invested in a start-up company making the SkyLouver™ technology (a combination skylight and solar thermal power collector) in exchange for manufacturing rights. MBC later decided to buy all the intellectual property rights to SkyLouver™ to ensure successful management of the commercialization process..

The new SkyLouver™ product line, launched in 2013, is expected to increase employment, employee ownership and profits. MBC will have shifted its product focus from a mature shrinking market to a dynamic growing one.

In September 2010, the US Department of Energy in conjunction with the State of Maryland's Clean Energy Economic Development Initiative (CEEDI) grant program, provided \$770,000 to MBC to retool a production line at its Baltimore facility to manufacture SkyLouver™ products.

MBC estimates that this project will result in 10 jobs in Baltimore during the first year. MBC has gone first to the Steelworkers to make the initial manufacturing worker hires for SkyLouver™. To accommodate its new product and market expansion, the company's name is now MBC Ventures, Inc.



Providing tools for local companies, their unions and communities to successfully compete in the global marketplace.

Since 1981 Attorney Deborah Groban Olson has created and advised employee-owned companies using ESOPs, cooperatives and other structures, representing sellers, buyers, companies, trusts, unions, employees and consumers.

Photo by Marvin Shaouni



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Deborah Olson also leads the Community Economy Group (the Group), which is creating a cooperative network of sustainable, worker-owned companies to provide living wage jobs in SE Michigan. The Group includes the Center for Community Based Enterprise, Inc. (C2BE) (www.c2be.org) which provides education and consulting on best practices, and Ingenuity US, L3C (IUS), (www.ingenuityus.net), a community innovation broker and business developer, and the law firm. A former chair of the National Center for Employee Ownership, Olson serves on the boards of Once Again Nut Butter Collective and Circle Pines Center, a co-op education and recreation center.

Examples of ESOP and Co-op Clients and Services

- Creating a worker and consumer owned micro-brewery
- Advising UFCW International and Local 1000, in 2011, in negotiating an ESOP that includes corporate board seats and a representation agreement for existing and new stores (see page 2)
- Serving as general counsel for Maryland Brush Company's unionized 100% ESOP (see page 3)
- Advising Creative Community Pathways and Urban Neighborhood Initiatives in developing worker cooperatives
- Designing the highly participative ESOP for the Carris Corporate Community;
- Creating and advising Sub Chapter S company ESOP for Exhibit Works, Inc.
- Serving as general counsel for Mustard Tree Cooperative (housing)
- Designing worker co-ops for the SW Detroit Construction Co-op and for the UAW at Franklin Forge
- Designing a co-op style ESOP and corporate structure at Republic Container for the USW
- Providing employee ownership pre-feasibility studies for the states of Michigan, Ohio and Maryland
- Creating a democratic, 100% ESOP buyout for the IAM at North Coast Brass
- Representing the UFCW in negotiating majority ownership at the Rosauers Supermarket chain
- Providing advice to PACE International Union concerning numerous potential employee buyouts
- Assisting Gas Workers Local 80, SEIU in the merger of MichCon into Detroit Edison
- Providing employee ownership advice for these unions or their members organized into buyout committees: UAW, USWA, IAM, UPIU, Carpenters, IBEW, OPEIU, Teamsters, Boilermakers, ALPA, SEIU, AIW, UFCW, Visiting Nurses, Independent Union of National Forge Employees and others
- Teaching employee/board of director members and ESOP trustees (including union members) their duties, and teaching union representatives how to successfully negotiate employee ownership through UAW and PACE education programs, the Ohio Employee Ownership Center, the Worker Ownership Institute, the National Center for Employee Ownership, the AFL-CIO George Meany Center for Labor Studies and University of Wisconsin School for Workers
- Convening and providing organizational help to the Detroit Community Cooperative (DCC)

Deborah Groban Olson's publications

Olson's numerous publications for and about unions and employee ownership and anchoring jobs and businesses through broad equity ownership, can be found at www.esoplaw.com.

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