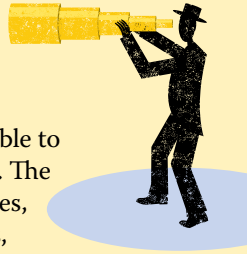


Employee Ownership Report

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The Long View on Employee Ownership

The success or failure of some ideas is impossible to assess until we look back on them years later. The NCEO asked a handful of long time executives, many of whom have retired from their companies, for their thoughts on what made employee ownership work.



A Decentralized Quality Program

In 1987, Reflexite Corporation's then-CEO Cecil Ursprung was looking for a tool to tap the potential of employee ownership. He found it during a seminar in California on quality practices, during which he and the other participants toured factories owned by NUMMI, Hewlett-Packard, and Apple. Ursprung remembers, "I asked a line worker at Apple where their finished-goods inventory was, and he pointed to the loading dock. At the time Reflexite turned over inventory eight times per year, but that Apple plant turned it over

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2012 Employee Ownership 100

The NCEO has released its 2012 Employee Ownership 100 list, which is on pages 8-9 in this newsletter. The list includes the nation's largest companies that are at least 50% owned by an ESOP or other broad-based employee ownership plan.



See the list on pages 8–9

The companies on the list employ 687,000 people worldwide, up from 614,000 last year. Companies that were on this list in both 2011 and 2012 saw their employment rise an impressive 6.3 percent. Several new

companies were added to the list, and this year the smallest company on the list had 1,100 employees, down from 1,200 last year, but up from 675 in 2001. Four companies from last year's list were sold, one went bankrupt, and five are no longer majority employee-owned.

If your company should be on the list, please let us know. There are no readily available data sources, so we compile information from the companies themselves, news stories, company Web sites, and if none of these area available, online data resources. ■

The NCEO has many lists of employee-owned companies, including our list of ESOPs and broad-based equity grants in S&P 900 companies and our ESOP company database, available by region or nationally. Go to our Web site at www.nceo.org, and click Surveys for details.

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Two Approaches to Internal Markets

Science Applications International Corporation, or SAIC, pioneered the idea of an internal market to allow employees to buy and sell shares to each other. The attraction is obvious: employees know they can exchange their shares for cash, but ownership remains in the hands of employees. The stock price provides valuable feedback for managers, just as it would be in a publicly traded company.

The downsides are obvious as well, including the limited access to public markets for raising capital (one of the main reasons SAIC went public) and the cost of complying with securities rules. The passage of the JOBS Act (see the *May–June 2012 newsletter*) may significantly reduce the cost by lifting the number of shareholders from 500 to 2,000

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