

NCEO



NATIONAL CENTER FOR  
EMPLOYEE OWNERSHIP

# ANNUAL REPORT

## 2016

The NCEO is a self-sustaining nonprofit membership organization that provides practical resources and objective, reliable information about employee ownership to businesses, employees, and the public.

# Thank you for reading our annual report!

2016 was the National Center for Employee Ownership's 35th anniversary, and over those 35 years the NCEO has been at the center of understanding and shaping dramatic changes in the field. The members, directors, and staff of the NCEO have contributed to the national dialogue in the press and elite policy circles; we have advanced controversial positions that have become conventional wisdom, and we continue to provide our members with the practical resources and objective, reliable information they have come to expect from us.

We are in the midst of another change-era for employee ownership. The demographic wave of business owners entering retirement has been building for years, and now other factors are pushing toward a qualitative leap. New state centers for employee ownership have joined longstanding ones to promote awareness through local, peer-to-peer networks and institutions. Provocative new studies supported by philanthropic organizations and advocacy groups, and carried out by nonprofits and academics, make the case for employee ownership in new and dramatic ways. The shifts in the political landscape have challenged the traditional policies of both the left and the right, intensifying the search for reliable and underused policy approaches.

All of these recent shifts and others that I expect in 2017 give me confidence that employee ownership has the potential to dramatically increase its presence in the economy.

The NCEO will be there for those changes. We will generate new knowledge. We will aggressively reach out to audience that should know more about employee ownership. We will continue to provide you, our members, the information and resources you need to make good decisions about employee ownership.

The NCEO's staff of 14 people pursues our mission relentlessly, and we appreciate the chance to share with you the highlights from 2016.

A handwritten signature in black ink that reads "Loren Rodgers". The signature is fluid and cursive, with the first name "Loren" being larger and more prominent than the last name "Rodgers".

Loren Rodgers  
*NCEO Executive Director*

April 14, 2017

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## A Message From the Board

The NCEO exists today for you and because of you. Your contributions come in many forms: dues, volunteer work, attending conferences, speaking at our various events, responding to surveys, and so many other ways. You also contribute to the health of employee ownership through the conversations you have every day about the topic. We want to thank you for all these past contributions and ask you for your support in the future. We are in this together, so contact NCEO and ask, how can I help?

*The best chance of a bright future for employee ownership comes when we join together in support of this great cause.*



—Mark Lewis  
*Chair*



—Judy Kornfeld  
*Vice Chair*

# Membership

Our members—over 3,000 organizations and individuals—are the heart of the employee ownership community. They provide the knowledge, questions, data, ideas, and creative solutions that power both employee ownership and the NCEO.

The majority of our members are companies with some form of employee ownership plan, followed by service providers to such companies, academics, nonprofit organizations, policy makers, and individuals.

Companies that either have or are considering employee ownership (type 1 above) remain by far the largest segment of our membership. In 2016, we saw a modest increase to our membership base with most of the gains coming from company members.

Members join and remain with the NCEO partly to be part of the employee ownership community and partly for the benefits and resources we provide:

- **WEBINARS** are online presentations on ESOP legal, governance, culture, communications, and financial issues, plus equity compensation topics. All live webinars are free for members, and anyone covered by a membership can attend. Members also can purchase discounted access to a library of prerecorded webinars, available 24/7.
- **THE MEMBERS AREA** of our website has research reports, a searchable archive of newsletters, over 100 case studies, a discussion forum, an ESOP lender directory, and more. In 2016, we added the Document Library to the members area, a collection of practical, ready-to-use sample documents sourced from our most trusted members.
- **THE EMPLOYEE OWNERSHIP REPORT**, our newsletter for members, comes out in print and digital forms every two months, keeping our members up-to-date on ideas and developments in employee ownership.
- **CALL OR EMAIL** our staff to discuss any employee ownership or ownership culture issues. If we do not know the answer, we'll find out.
- **OUR SEMINARS AND ANNUAL CONFERENCE** are available to members at discounted rates. Our events not only bring attendees face-to-face with expert speakers but also provide opportunities to ask questions and network with others, learning from both presenters and peers.
- **PUBLICATIONS** are available to members at a discount. Our more than 60 books and issue briefs provide detailed yet understandable guidance for company owners, managers, and advisors alike. Most publications are available in both print and PDF format.
- **THE OWNERSHIP CULTURE SURVEY** is an employee survey instrument designed exclusively for use by employee ownership companies. It measures the extent to which employees think and act like owners of their company and helps the company assess the strengths and weaknesses in its ownership culture.
- **DATA ON ALL ASPECTS OF EMPLOYEE OWNERSHIP** is available in multiple formats for members, including our summaries of research by others and our original research. Members receive access to downloadable research reports on these and other topics, and discounts on purchasing the full results.
- **SPEAKING AND CONSULTING:** The NCEO often speaks at company events on topics such as the current state of employee ownership, what it means to be an employee-owner, and ownership culture. On a limited basis, expert NCEO staff can provide paid consulting on plan design and ownership culture issues, typically on site or by phone. Because we do not seek long-term contracts, we provide objective advice on how to proceed.
- **TRAINING** features our prep course for the industry-standard Certified Equity Professional certification exam, an online course on ESOP basics, customized training webinars for ESOP boards and ESOP fiduciaries, and an online ESOP Fundamentals course.
- **CONTINUING EDUCATION CREDIT** is available for our live webinars, seminars, and annual conference and is important for members who need to recertify their HR, IRS, CPE, legal, or other credentials.

Type	2014	2015	2016	% of members	Notes
1. Company (not service provider)	1,823	1,888	1,987	61%	Companies that sponsor an ownership plan or are considering adopting a plan
2. Service provider (no directory)	697	662	659	20%	Individuals who primarily provide service to companies with stock plans
3. Service provider (in directory)	288	322	347	11%	Offices that provide services to companies with stock plans
4. Academic	48	127	117	3.5%	Full-time students and teachers with no business interest in employee ownership
5. Nonprofit or Government	28	12	15	0.5%	
6. Individual	22	52	51	2%	People who are not service providers
7. Friend of NCEO (Complimentary)	47	61	67	2%	These are for permanent complimentary memberships
<b>Total</b>	<b>2,953</b>	<b>3,124</b>	<b>3,124</b>		

## New Members

Many of our new paid memberships come through our website, where we want to ensure that the sign-up process is as simple as possible. Accordingly, we offer only three types of new memberships online:

- *Introductory Memberships* are \$90. Introductory memberships account for the great majority of our new paying members.
- *Academic memberships* are for full-time students or teachers who are not employed in the business sector and do not have a personal business interest in the subject. They cost \$40.
- *Service provider directory memberships* are for service providers. Directory membership covers all individuals at a single office location. The NCEO reviews applications for the directory, and then includes them in an online search tool, including a searchable map. The NCEO uses the directory as the first source of answers to our questions as well, and reaches out to the service providers for support in research and other projects. These memberships cost \$350 to initiate and to renew.

New paid introductory memberships increased slightly in 2016, but did not match historic highs.

### NEW PAID INTRODUCTORY MEMBERSHIPS

	Count	% change
2007	807	
2008	706	-13%
2009	518	-27%
2010	612	18%
2011	663	8%
2012	597	-10%
2013	663	17%
2014	702	6%
2015	656	-7%
2016	680	4%

## Membership Renewals

The cost of renewal for companies depends on how many employees they have.

- 1-50 employees: \$100
- 51-100 employees: \$175
- 101-500 employees: \$330
- 501-plus employees: \$465

Firms that provide services to employee-owned companies, even if they sponsor their own plans, are not considered company members.<sup>1</sup> Members of such firms may either renew as individuals (\$100) or as members of the service provider directory (\$350).

In 2016, we sustained our healthy retention rate with 2,386 of our members deciding to renew.

<sup>1</sup> *Employee-owned companies that also provide services to employee-owned companies may choose to be in our database as a company member, but in that case they will not receive notices of speaking opportunities or other notices intended for service providers.*

# Annual Conference

In 2016, The NCEO’s annual conference brought together attendees from across the U.S. and around the world. The conference annually provides an ideal opportunity to learn, network, and share knowledge of employee ownership with others. In addition to general sessions featuring thought-provoking leaders in the field, attendees selected from over 120 breakout sessions and three half-day intensive preconference sessions that explored a variety of critical issues in five different track levels and numerous interest areas. The conference featured interactive presentations and lectures from hundreds of top employee ownership experts and experienced leaders from successful employee-owned companies.

Our 2016 annual conference took place in Minneapolis and continued our pattern of strong growth by exceeding expectations on numbers of attendees, networking, and new ideas being generated. The conference took place, for the first time ever, in a convention center with feeder hotels. We increased attendance by 278 people, growing from 1,403 in Denver in 2015 to a total of 1,681 in Minneapolis.

The table at right shows attendance since 1994. We have estimated the percentage of conference attendees who are local (within driving distance and not staying overnight at the hotel) in the column “% local.” The last column, “% companies,” is our estimate of the percentage of attendees who are from companies that have or are considering an ownership plan—in other words, it excludes service providers, academics, and members of nonprofits and governments.

We were thrilled with the support we got from service providers and companies. Sponsor organizations and firms numbered 111 and included service providers, employee-owned companies, and other related organizations.

Evaluations were thoughtful and extremely positive, and 99% of the respondents to our overall survey stated that they would recommend this conference to others. We did receive some constructive ideas for improvement, of course, and some wonderful quotes, a few of which are up on our conference website’s main page.

Preconference sessions continued to be very popular and sold out in advance of the conference. Attendance at preconference sessions grew. The compensation session we offered had 121 attendees. (70 had attended the year previous.) The communication and culture session also topped out at 121. The third session on governance issues, which was coordinated by the Beyster Institute, had 104 attendees, also more than the previous year.

Because we held the conference in the Minneapolis Convention Center (a municipal facility) and this was the first time working in this type of venue with multiple hotel room blocks, there was a lot of additional work for the conference director and meeting crew. This was worth the time and effort, as the space held many more attendees, and the cost was relatively lower than holding the whole event within a self-contained hotel.

Our full-time temporary assistant, Christine Lewis, joined us earlier in the planning process for the 2016 conference and became a full-time permanent staffer following the event. We also hired more on-site temporary staff. Additionally, with the help of board members and other volunteers, including a very active host committee, we were able to cover all the on-site positions, despite having 278 additional people attending.

## ANNUAL CONFERENCE ATTENDANCE 1994–2016

Year	City	Attendance	% Change	% Local	% Companies
1994	Cleveland	381			
1995	Chicago	548	44%		
1996	San Francisco	504	-8%		
1997	Chicago	534	6%		
1998	Minneapolis	580	9%		
1999	San Francisco	583	1%	13%	
2000	Chicago	670	15%	30%	
2001	Seattle	601	-10%	14%	
2002	Chicago	650	8%	28%	
2003	San Francisco	608	-6%	21%	
2004	Chicago	755	24%	27%	
2005	San Francisco	671	-11%	20%	58%
2006	Minneapolis	770	15%	25%	59%
2007	San Diego	741	-4%	10%	61%
2008	Chicago	840	13%	20%	65%
2009	Portland	684	-19%	14%	61%
2010	Minneapolis	814	19%	23%	66%
2011	Denver	891	9%	13%	63%
2012	Minneapolis	1,046	17%	22%	65%
2013	Seattle	1,069	2%	15%	62%
2014	Atlanta	1,208	13%	20%	65%
2015	Denver	1,403	16%	10%	70%
2016	Minneapolis	1,681	20%	28%	63%

# Publications

We sell over 60 publications. All are from the NCEO except for a few we sell on behalf of the Certified Equity Professional Institute (CEPI), mainly to its students. As before, about 95% of our 2016 publication revenue came from direct sales; the rest came from Amazon and other outside vendors (mostly from print books sold through Amazon). In 2016 we released two new issue briefs, a revision of an existing brief, and new editions of various books, such as *The ESOP Company Board Handbook*.

During 2016, we sold roughly 16,000 copies of publications and received other publication-related income for a total of almost \$294,000. The number of publications sold included bulk sales such as orders for large quantities of *An Introduction to ESOPs*. The combined print and digital non-subscription income recorded in our income statements increased slightly in 2016, but our overall publication income fell by 2% compared to 2015. The main reason for the decrease is that subscription income trailed off and then vanished after the beginning of the year when we discontinued the issue brief subscription.

In 2011 we replaced the subscription to our *Journal of Employee Ownership Law and Finance* with a subscription to our issue briefs. In turn, we stopped offering the issue brief subscription in early 2016. All issue briefs are available for individual purchase. (The remaining subscribers are receiving new issue briefs until their subscriptions lapse.) One problem with sourcing new material is that our existing publications already cover much of the field. Additionally, authors have more avenues for exposure and more demands on their time nowadays. Having fewer new publications also results in fewer sales than we would have otherwise.

In 2017 we will publish new editions of several of our main ESOP books, such as *Selling Your Company to an ESOP*, *Executive Compensation for ESOP Companies*, and *ESOPs and Corporate Governance*, often—as with the aforementioned books—featuring the latest NCEO research results. We also are releasing new editions of our best-selling equity compensation books, such as *The Stock Options Book*, coauthored by board member Alison Wright.

The table below summarizes how many copies of our publications we distributed, excluding subscription sales, individual article or chapter reprints, or digital reprints. These numbers bear only a loose relation to revenues; for example, sales of the inexpensive *An Introduction to ESOPs* fell by over 1,500 in 2016, but sales of the much more expensive *Selected Issues in Equity Compensation* increased by over 150. We collected about \$2,700 less for the *Introduction* in 2016 but about \$5,000 more for *Selected Issues*. The percentage of digital sales by number of units sold has remain relatively steady for the past several years, but the percentage of total revenues from digital sales (not shown here) dipped in 2016 due to a proportionately higher percentage of lower-priced sales being in the digital realm.

Units distributed	2014	2015	% change	2016	% change
Print publications	14,494	16,991	17%	13,826	-19%
Digital publications	2,083	2,265	9%	1,949	-14%
Total	16,577	19,256	16%	15,775	-18%
Digital as a % of total	13%	12%		12%	

# Webinars

Our live webinars are one of the core benefits of NCEO membership. An unlimited number of participants from a member company can participate. NCEO offered 41 webinars in 2016 in four tracks: introductory ESOP topics, ongoing ESOP issues, ownership culture, and equity compensation issues. Webinars are free for our members and offer continuing education credit. Attendance in 2016 was up from an average of 34 in 2015 to 43 in 2016.

	2010	2011	2012	2013	2014	2015	2016
Average attendance	29	22	28	40	40	34	43

Evaluations of webinars have always been, and remain, very high overall – more than 60% of our presenters were rated “excellent,” and the majority of the remaining presenters were rated either “good” or “very good.” Webinar replay subscription sales continue to grow steadily to 115 subscriptions sold/ renewed in 2016 from 94 in 2015.

Webinar sponsorships have become more difficult to find, mainly because more service providers are offering their own webinar series.

# Seminars

The NCEO's seminars are designed to provide a more intensive, smaller-group environment, structured for a high degree of interaction among presenters and attendees. Each seminar generally has a focus on a specific content area. In 2016, our seminars included:

- "Is an ESOP Right for You?" (twice per year) explores the financial, legal, and cultural feasibility of an ESOP for companies considering one.
- "The ESOP Symposium" is the largest and most broadly focused of our seminars. It is a two-day, two-track event covering the key issues facing all ESOP companies: valuation, governance, regulatory compliance, sustainability, growth, and much more.
- "The S Corporation ESOP Seminar" explores issues specific to S corporations, such as transitioning from C to S, anti-abuse testing, and incentive pay.
- "Get the Most Out of Your ESOP" covers the communications and culture issues that unlock the power of employee ownership.
- "Equity Compensation for Companies Staying Privately Owned" focuses on practical solutions for private companies that want to get liquidity for their employees and investors while staying private.

Our two feasibility seminars (Is an ESOP Right for You?) did very well in 2016 with an average attendance of 44 people per seminar. These seminars cover the full range of topics, from legal to financial to cultural, that someone considering establishing an ESOP needs to understand and weigh. Scottsdale continues to be a popular location for this meeting in February. Evaluations of this meeting continue to be high.

In 2016 we continued with the two-track option at the ESOP Symposium. Previously, attendees signed up for one track or the other, but now we allow attendees to move freely between tracks. Overall evaluations continue to rate the meetings very highly. The networking wine and cheese that was added to each meeting continues to be well

received. The seminar's content remains a combination of the two meetings we merged to create it, one on governance and one for mature ESOP companies.

The S Corporation ESOP Seminar drew people interested in maximizing the benefit of their S corporation ESOP status and those interested in possibly converting to an S corporation ESOP. Registration was up from 45 in 2015 to 81 in 2016.

The Get the Most Out of Your ESOP seminar took place in Indianapolis this year. The revamped structure from 2015 having proved successful, we kept the structure of the meeting the same—two full days plus a half-day bonus forum on marketing and community outreach that was offered at no charge to those attending the full meeting. These changes remained very successful with an increase in attendance for the bonus half to 40, and the attendance remaining approximately the same as the year previous for the main seminar. This seminar is the only one of its kind that we offer and clearly fulfills some of our core education objectives. Evaluations were very positive, with attendees saying they got a lot out of the meeting. Positive comments on speakers noted the high number of company representatives speaking along with the speakers from organizational development firms.

Our meeting Equity Compensation for Companies Staying Privately Owned included collaboration with Santa Clara University's Certified Equity Professional Institute, which provided the meeting location. The content described alternatives to IPOs and being acquired for companies, with a focus on how to make best use of equity compensation in the absence of a planned liquidity event. Attendance continued to be a struggle with 2016 attendance down to 29 from 55 in 2015.

Overall, the average attendance and total number of attendees is on an upward trend, although 2014 saw a spike in attendance. (In the table below, we differentiate between "attendees" and "attendee-days" starting in 2015. That is the first year in these meetings where a single registration covered more than one day.)



## SEMINARS: SIX-YEAR SUMMARY

	2011	2012	2013	2014	2015	2016
Total attendance	363	395	464	583	425	492
Total attendee-days	"	"	"	"	524	616
Average daily attendance	33	36	36	45	47	56

## SEMINARS: DETAILED FIVE-YEAR SUMMARY

	2012	2013			2014		2015		2016	
	Atlanta	Phoenix	St. Louis	Scottsdale	Miami	Scottsdale	San Diego	Scottsdale	Providence	
<b>Is an ESOP Right for You?</b>	33	29	27	27	25	44	45	54	34	
<b>The ESOP Governance Meeting</b>	<b>Seattle</b>	<b>Minneapolis</b>		<b>Denver</b>		<p><b>Atlanta</b> In 2015, the ESOP Symposium combined these two meetings into a two-track, two-day event.</p> <ul style="list-style-type: none"> <li>• Day 1: 50</li> <li>• Day 2: 49</li> </ul>	<p><b>Austin</b> The two meetings remained combined in 2016.</p> <ul style="list-style-type: none"> <li>• Day 1: 63</li> <li>• Day 2: 61</li> </ul>			
• Fiduciary Issues	31	34		37						
• Effective Bds. of Director: Best Practices in Governing an ESOP Company		22		46						
• Executive Compensation in ESOP Companies	25	22		40						
<b>The ESOP Company Symposium</b>	<b>Denver</b>	<b>Minneapolis</b>		<b>Denver</b>						
• Handling the Repurchase Obligation	49	34		63						
• Challenges & Solutions for Mature ESOP Companies	46	33		63						
• Strategic Planning for Your ESOP	29	34		57						
<b>The S Corporation ESOP Seminar</b> (titled "Best Practices for S Corporation ESOPs" in 2011 to 2014)	<b>Atlanta</b>	<b>Phoenix</b>	<b>St. Louis</b>	<b>Scottsdale</b>	<b>Philadelphia</b>	<b>St. Louis</b>	<b>Denver</b>			
	41	47	42	58	60	45	81			
<b>Get the Most Out of Your ESOP</b>	<b>Chicago</b>	<b>Costa Mesa, CA</b>		<b>St. Louis</b>		<b>Baltimore</b>	<b>Indianapolis</b>			
• Day 1	35	47		41		22	40			
• Day 2	44	54		44		66	68			
• Day 3	28	39		22		58	61			
<b>Equity Compensation for Companies Staying Privately Owned</b>						<b>Santa Clara, CA</b>	<b>Santa Clara, CA</b>			
						46	29			

# Research

This year we designed and fielded our ESOP executive compensation survey, which will be presented at our national conference. We implemented a multi-step plan to increase the number of responses to our surveys by systematically reaching out to the ESOPs we don't currently have as members, and using the executive compensation data as a marketing tool. We have gotten positive feedback from respondents on our investment in premium survey software to make the survey-taking process as user-friendly, streamlined, and targeted as possible.

In 2016, we continued our project to get the most out of the data on ESOPs and other plans collected by the Department of Labor. We produce a comprehensive database of ESOP plans that is used widely by our members and the research community.

We now include a research piece as a regular feature in each of our newsletters. We have dug into the Form 5500 data in new ways, including breaking out public ESOPs and KSOPs. We have also helped ESOP companies with industry-specific research for their newsletters and other communications. We continue to gather input and feedback on how to report the Form 5500 data to best serve the ESOP community.

We are building on and strengthening our reputation as the primary resource for data on ESOPs and other qualified retirement plans that hold company stock. For example, we assisted the North Carolina Budget and Tax Center with its report, "Down Home Capital—How Converting Businesses into Employee-Owned Enterprises Can Save Jobs and Empower Communities."

The NCEO's research director, Nancy Wiefek, attended and presented at the meeting of the Rutgers University employee ownership fellows in June. She regularly connects with academics to offer guidance and input on their research projects.

As of the end of 2016, the NCEO had nearly completed the first part of a multi-year project using the National Longitudinal Surveys, a project of the Bureau of Labor Statistics, which speaks to the role of employee ownership at the individual worker level. This research was funded through a grant from the W.K. Kellogg Foundation, and results are expected to be released in April 2017.

In September we welcomed a new research associate to the team, Nathan Nicholson, and he is already making great contributions and expanding the scope of projects.

# Employee Surveys

Research shows that the existence of employee ownership is not sufficient on its own for companies to attain the competitive and performance advantages associated with ownership. Companies must also build an ownership culture—a workplace where employees think and act like owners. The NCEO's employee-owner surveys are designed exclusively for employee ownership companies as a tool to measure the effectiveness and quality of their cultures according to employees. The surveys measure how employees feel about various aspects of their company's culture and practices, which allows leadership teams and communications committees to assess ways that the company can more effectively capture the benefits of employee ownership. The NCEO's survey resources include data from more than 18,000 employee-owners at approximately 110 employee ownership companies around the country.

In 2016, the NCEO surveyed a total of 5,471 employee-owners at a wide range of ESOP companies throughout the country with anywhere from 50 to more than 1,400 employees. The companies represent several different industries, such as retail, manufacturing, hospitality, and engineering.

The NCEO's focus in 2016 was to continue exploring methods to improve the surveys while bringing as much value as possible to companies, leadership teams, and ESOP committees. We have learned more about how employee-owned companies use the reports and results in practice, creating more actionable strategies for transforming key areas of their culture. This has given us a great deal of insight on which areas of our reports are most useful and important, which we intend to use to create new modes of communicating and using employee feedback to drive strategy on how to improve company cultures.

We have also made efforts to improve the process by which we create each company's Ownership Culture Reports with the help of our newest research hire, Nathan Nicholson. In 2017, the NCEO will focus its efforts standardizing our data management and survey processes so that our surveys and culture services are more efficient, reliable, and valuable. With improvements to our product and services, we will also put additional effort into creating more value for our members in the form of additional content and media, networking, and support in their efforts to build more effective and sustainable ownership cultures.

Employee Surveys	2012	2013	2014	2015	2016
Number of employee-owners surveyed	1,126	889	2,929	2,501	5,471
Total number of surveys conducted	9	9	13	9	14

## Consulting

Corey Rosen, Loren Rodgers, and Dallan Guzinski do speaking and limited consulting with companies. Generally, the NCEO does no more than the equivalent of one day of consulting for any given company. Some of this work provides guidance to companies on issues including the suitability of an ESOP or equity plan, development of a communications committee, the broad structure of an LLC, or culture change. The NCEO may also speak at events, such as employee meetings. Consulting also includes fees for serving on boards and related governance bodies. We engaged with around 45 companies in 2016. Corey Rosen is on five ESOP company boards. Loren Rodgers is on one company board and one company board advisory committee.

## Training

The biggest training project by far is our exam preparation course for candidates for the Certified Equity Professional Institute (CEPI) exam for stock plan administrators. Achaessa James manages the CEPI course, and she has been maintaining and building on the dramatic improvements to the course in 2013, resulting in high satisfaction and pass rates.

The remainder of our training is our online ESOP Fundamentals class, although disappointingly few companies make use of it.

# Outreach

Much of 2016's outreach revolved around updating and innovating our communication strategies and methods. Our focus shifted to finding the best, most exceptional stories about employee ownership as a means of demonstrating the effects it can have employees, owners, companies, and communities. Some of those stories, such as one about millionaire grocery store clerk Cathy Burch or Chobani's founder and owner giving stock to his employees, have received relatively wide coverage as a result of their memorability, specificity, and timeliness. To find these stories, we have reached out to a number of highly regarded companies in the ESOP community and conducted interviews to find stories that have a higher possibility of achieving similar visibility.

In order to create greater visibility, we have decided to focus on two primary methods for disseminating these stories: videos, and traditional print media. To that end, we have partnered with the Rocky Mountain Employee Ownership Center to help create videos of interesting Colorado-based ESOPs and have begun exploring the possibility of creating videos of local, Bay Area ESOPs. In order to leverage print media, we signed up for media aggregation and journalist-contact platform Meltwater. We hope to use the platform in 2017 to distribute stories, new research, and PR for new ESOPs to interested reporters and publications.

Our state center program focused primarily on supporting the Pennsylvania Center for Employee Ownership (PaCEO) in its first year as a fully incorporated 501(c)(3). Executive Director Kevin McPhillips was active in connecting with volunteer companies and service providers, educational institutions, and other potential stakeholders, leading to more than 50 presentations over the course of the year and generating 33 requests for the PaCEO service provider referral list. Other interested parties from different states emerged over the course of 2016, starting the conversation on the creation of templates and activity suggestions to support individuals or smaller organizations.

2016 also saw a further development and exploration of the NCEO's support for ESOPs with procurement certifications, such as minority-owned, women-owned, and disabled service veteran-owned. Through our grant with the W.K. Kellogg Foundation we have developed several ways to support these companies which will culminate with a white paper and database of the different certifications in 2017.

In 2015 we began tracking some measures of our success in reaching new audiences, and in 2016 we refined and continued to use these metrics. 2016's results are summarized in this table.

METRIC	Q1	Q2	Q3	Q4	2016 Total	2015 Total
Brand New Customers	318	420	530	290	1558	575*
New Complimentary Members	44	16	27	16	103	57
NCEO Site Hits	174,664	180,695	154,867	154,221	664,447	647,807
New Social Media Followers	176	231	169	169	745	513
Media References	8	30	35	22	95	51
Non-NCEO Events Spoken At	1	3	1	3	8	14
Event Audience Attendees	300	140	25	121	586	495
Alliance Meetings	8	5	7	6	26	N/A
EO Consultations	12	11	10	6	39	47

\*(Q1 and Q2 not recorded)

The definitions used in this table are:

**Brand New Customers:** First-time customers without a membership

**New Complimentary Members:** Memberships provided without charge

**NCEO Site Hits:** The number of pages viewed at nceo.org

**New Social Media Followers:** Includes LinkedIn, Twitter, and Facebook

**Media References:** The number of unique articles that cite the NCEO

**Non-NCEO Events Spoken At:** The number of events hosted by other organizations at which an NCEO staff member spoke

**Event Audience Attendees:** The number of people who were in the audience for those presentations

**Alliance Meetings:** Meetings with allied or potentially allied organizations

**EO Consultations:** The number of unique speaking/consulting engagements, including service on boards, performed by NCEO staff

# Financial Position

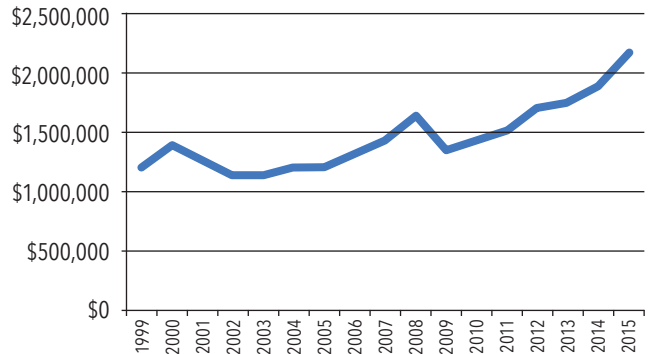
The NCEO’s business model is built around its members. Despite receiving a grant from the W.K. Kellogg Foundation for May 2015 to March 2017, we have never had a grant-based model. Instead, we rely on our members and the public to keep us focused on what is useful to them. They do this, in large part, by deciding which of our activities to support, whether that means attending our conference, buying a digital book, using the Ownership Culture Survey, inviting us to speak, or commissioning research.

Our net ordinary income has generally increased over the past years, although its course has not been smooth. 2015 marks the first year our total ordinary annual income exceeded \$2 million and we saw another substantial increase in ordinary income in 2016, with total ordinary income of \$2.4 million (unaudited).

For 2015, we had an independent audit of our financials. As part of that audit we changed from cash-basis to accrual-basis accounting. The graph below restates our 2015 income statement, but prior years remain on their original cash basis. Generally speaking, accrual basis results in lower amounts of revenue in an organization experiencing profitable growth.

The NCEO’s primary measure of financial performance is net ordinary income, which includes the vast majority of our income and expenses. It does not include “other income” or “other expenses,” such as investment income and donations to the NCEO. “Other expenses” also include special expenses related to moving our office, staff variable incentive pay, and some depreciation.

ORDINARY INCOME 1999–2015



# NCEO Staff

NCEO staff work from our office in downtown Oakland, California. We are proud of our city, and if you are in the area, we welcome you to come by and say hello. For those of you who cannot make it to visit in person, here is an introduction to each of us.



**Loren Rodgers**  
*Executive Director*  
At NCEO since 2005

Loren Rodgers joined the NCEO in 2005 as its research director and became its executive director in 2010. He writes extensively on employee ownership in professional and academic publications and has spoken at events around the world. Since he entered the field in 1995 as a consultant, he has worked with hundreds of companies and presented to thousands of people. His expertise includes ESOPs, equity compensation, best practices for employee ownership companies, research, effective communications, employee motivation, corporate governance, ESOP transactions and operations, and business literacy. Loren has a master's degree in public policy from the University of Michigan, where he studied employee ownership and international development with a focus on Slavic Europe.



**Corey Rosen**  
*Founder*  
Cofounded NCEO in 1981

Corey Rosen, PhD, is the cofounder and senior staff member of the NCEO. He co-authored, along with John Case and Martin Staubus, *Equity: Why Employee Ownership Is Good for Business* (Harvard Business School Press, May 2005). Over the years, he has written, edited, or contributed to dozens of books, articles, and research papers on employee ownership. He is generally regarded as the leading expert on employee ownership in the world. Corey received his PhD in political science from Cornell University in 1973, after which he taught politics at Ripon College in Wisconsin before being named an American Political Science Association Congressional Fellow in 1975. He worked on Capitol Hill for the next five years, where he helped initiate and draft legislation on ESOPs and employee ownership. In 1981, he formed the NCEO.



**Monica Dozier**  
*Customer Service and Procurement Manager*  
At NCEO since 2007

Before joining the NCEO, Monica worked with students with disabilities and the One-Stop Career Center at the College of Alameda, and then in a number of departments at the Peralta Community College District, including payroll, budget and finance, purchasing, and human resources. Monica is responsible for completing online orders, processing payments, shipping orders, assisting with customer services, and assisting staff with other assignments as needed. Monica is passionate about helping others, which is apparent in her daily work assisting NCEO customers. She comes from a large family that she enjoys spending time with; she is the mother of three lovely daughters.



**Eimear Burke-Elzy**  
*Managing Director*  
At NCEO since 1993

Managing Director Eimear Burke-Elzy is the NCEO's most senior staff member, having served since 1993. She handles all of the NCEO's financial matters and oversees all administrative operations. Originally from Ireland, Eimear lived and studied in Spain and France, where she met her husband before coming to the U.S. She has four terrific kids she has raised while working here and is an active community volunteer and busy soccer mom.



**Timothy Garbinsky**  
*Outreach Coordinator*  
At NCEO since 2014

As the outreach coordinator for the NCEO, Timothy Garbinsky works with volunteers, allied organizations, and the press to creatively and effectively disseminate information about employee ownership and advance the NCEO's mission. He earned his BA in English from Duke University in 2009 and has since worked as a content creator and an educator, skills he transfers to the NCEO. Originally from the D.C. metropolitan area, Tim has lived, worked, and studied in three continents over the past decade, cultivating a passion for other cultures and all peoples. He likes to read and write, listen to and create music, and stay active whenever possible.



**Dallan Guzinski**  
*Director of Culture and Engagement*  
At NCEO since 2013

Dallan Guzinski is the director of culture and engagement at the National Center for Employee Ownership (NCEO) in Oakland, California. As a step towards leveraging the significant benefits that employee ownership offers, he works closely with employee-owned companies and teams to improve their communication and engagement practices by gathering and responding to employee feedback using the NCEO's Ownership Culture Surveys. Dallan is also an avid speaker and contributor to NCEO publications, meetings, and webinars. In his free time, he enjoys hiking and camping in the country's beautiful national and state parks, reading, live music, and spending quality time with close friends and family.



**Achaessa James, CEP**

*Product Manager*

*At NCEO since 2010*

Achaessa James, CEP, is a product manager at the NCEO, where she works on broad-based equity compensation projects, writes on current regulatory and administrative issues, and advises NCEO members on equity compensation planning. Achaessa has designed and delivered equity administration and corporate governance education programs to attorneys, paralegals, and accounting staff. As part of her staff functions at the NCEO, she can work with companies on a preliminary basis to review legal, accounting, tax, and other issues relating to all forms of equity compensation, as well as matters concerning plan design, administrative setup, and training programs. She also maintains an active consulting practice outside the NCEO to provide longer-term administrative, audit, and corporate transaction support for private companies. Achaessa is a Certified Equity Professional through the CEP Institute at Santa Clara University's Leavey School of Business. She has worked in the venture capital and start-up community since 1999, supporting private stock placement transactions, IPO registrations, and administering non-public and micro-cap company equity compensation plans for companies such as Shop.com, Classmates.com, Jones Soda, and Telegent Systems.



**Colleen Kearney**

*Seminar/Webinar Director*

*At NCEO since 2000*

Colleen Kearney's original position as seminar director has evolved along with technology into the world of internet-based meetings. Now, as the NCEO's seminar/webinar director, she organizes several in-person seminars and about 45 webinars each year. Colleen's previous experience includes planning medical conferences for surgeons as well as many types of fundraising events for the Arthritis Foundation, such as managing a marathon training team. She was also the vice-chair of a local half marathon/10K event that is a major fundraiser for a K-12 school system in California. Colleen is a volunteer leader for Sierra Club National Outings-Hawaii Subcommittee.



**Deborah Krant, CMP**

*Conference Director*

*At NCEO since 1997*

Deborah has more than 38 years of experience in event and meeting planning. Her job includes creating and handling budgets and timelines, obtaining sponsorships, organizing speaker selection, finding locations and negotiating hotel contracts, dealing with menus and on-site logistics, creating marketing campaigns, and working with other staffers to develop conference and meeting structures including evaluations. She spent 20 years producing arts events, and the past 18 years as the NCEO's conference director. She received her CMP (Certified Meeting Professional) in 2000. An active member of MPI (Meeting Professionals International) she is a past member of the board of directors of Litquake, a San Francisco literary festival, and currently volunteers to produce various festival events each fall. Since the fall of 2010, she has taught classes at the San Francisco State University College of Extended Learning

in the certificate program in event planning; she currently teaches the core class "Fundamentals of Event Planning." Additionally, she sometimes acts as author tour agent for her writer husband. She has a BA in theatre from University of Michigan and a certificate in meeting planning from San Francisco State.



**Christine Lewis**

*Events and Administration Assistant*

*At NCEO since 2015*

Christine assists the conference director and seminar/webinar director with the planning and execution of meetings and the annual conference. She also supports the managing director with customer service and administrative operations. Originally from the East Coast, Christine has a BBA in marketing from George Washington University, a degree in travel and tourism from Stevenson University, and professional certification in meeting planning from San Francisco State University. Her diverse work experience includes management and administrative positions in the hospitality and art academic environments. Christine has three fabulous children, who are all food professionals in the San Francisco Bay Area. A lifelong learner, Christine enjoys taking a variety of classes at local colleges. She and her husband enjoy traveling to Hawaii, eating the great food and wine of Northern California, and snuggling with their miniature dachshunds Pancake and Waffles.



**Nathan Nicholson**

*Research Associate*

*At NCEO since 2016*

As research associate, Nathan Nicholson assists in managing the NCEO's research and survey projects, as well as its internal company and member data. A recent Bay Area transplant from upstate New York by way of D.C., Nathan has a professional background in public policy analysis, nonprofit administration, and legal research. Before joining the NCEO, he worked at FairVote, a D.C.-area nonprofit dedicated to election policy reform. He received his BA in Linguistics from Cornell University in 2012.



**Scott Rodrick**

*Director of Publishing and Information Technology*

*At NCEO since 1994*

As the NCEO's director of publishing and information technology, Scott is in charge of all publications except the newsletter for members (the Employee Ownership Report). He designed and created the NCEO's present line of books and is the author or coauthor of several books himself, including the best-selling *An Introduction to ESOPs* (14th ed. 2014) and *Understanding ESOPs* (2008). He is an attorney and served at the U.S. Department of Labor as an attorney-advisor from 1991 to 1993 before coming to the NCEO. After obtaining bachelor's and master's degrees in music from UC Davis and UCLA respectively, he earned his JD from California Western School of Law, where he graduated magna cum laude. Scott created the NCEO's first website in 1994 and has maintained the NCEO's presence on the internet since then. Twice a month, he prepares the NCEO's email bulletin and sends it to over 10,000 subscribers. As the NCEO's director of publishing, Scott does everything from gathering the material to laying it out and getting it printed.



**Ramona Rodriguez-Brooks**  
*Events and Administration Associate*  
 At NCEO since 2013

As Outreach and Membership Coordinator, Ramona focuses on spreading the word about the benefits of employee ownership to companies, community groups, business leaders, and the public. She also works to ensure that the NCEO's membership is supported and growing. She brings to her job diverse professional experiences from managing education and outreach programs at a small theater company, to line cooking at a large film studio, to running all technical aspects of live performances. Ramona has a BA in Sociology with an emphasis in social inequality and a BA Theatre from the University of California, San Diego and can often be found having detailed conversations comparing and contrasting Mexican culinary styles in Northern and Southern California.



**Rochele Roura-Foster**  
*Event and Administrative Assistant*  
 At NCEO since 2017

Rochele Roura-Foster joined the NCEO as the event and administrative assistant. She supports the conference and seminar team by coordinating sponsor relations, registrations, memberships, and other event details. Originally from the California Central Valley, Rochele graduated magna cum laude from CSU Stanislaus, earning her bachelor's degree in communication studies with a focus in public relations and event management. Along the way, she also studied visual communication, advertising, and fine art. She has built over 16 years of customer service skills; independently planned private, small business, and nonprofit events; and previously worked for the Stanislaus County Fair as the sponsor and events coordinator. Outside of work, Rochele enjoys listening to country music and classic rock, watching nature and history documentaries, hunting through used bookstores, visiting fairs and festivals, catching movie premieres, watching sports, playing softball, and spending time with her husband and three dogs: Mayo, Dozer, and Copper.



**Nancy Wiefek**  
*Research Project Director*  
 At NCEO since 2014

As research director at the NCEO, Nancy Wiefek designs and manages ongoing survey and data research projects and explores new ways to make the research relevant to our members. She brings experience studying broad trends in politics and the economy and brings that to bear in placing the research in context. Nancy graduated summa cum laude from Temple University with a BA in political science and a minor in Russian. She earned an MA and PhD at Penn State University in political science with a focus on survey methods. Her book *The Impact of Economic Anxiety in Postindustrial America*, published in 2003 by Greenwood Publishing, used original survey data to examine the impact of emotions and economic anxiety on political beliefs and opinions. In her free time, she loves to be around animals and the ocean, and catch up on the latest scientific findings on the role of emotions in human and animals.

*Photos (except Acheassa James) by Pamela Arriera and Lia Sutton*

We have two other regular contractors:

- Laura Myers does graphic design and layout for most of our handouts, our newsletter, conference materials, and much more.
- Deborah Willoughby is a copy editor.

# NCEO Board of Directors

The NCEO's board of directors, as of the end of 2016

*Chair:* Mark Lewis, Woodfold Manufacturing

*Vice Chair:* Judy Kornfeld, ESOP Economics

*Secretary:* Matt Keene, Chartwell

*Immediate Past Chair:* Tom Roback, CEP QKA, Blue Ridge ESOP Associates

*At-Large:* Alison Wright, Hanson Bridgett LLP

*Ex Officio:* Corey Rosen, NCEO

Steve Baker, Great Game of Business

John Brown, Business Enterprise Institute, Inc.

Neil Brozen, Bankers Trust Company

Jeffrey Buettner, ButcherJoseph & Co.

Barbara Clough, Newport Group

Adele Connors, Adworkshop

Amanda DeVito, Butler/Till

Cecilia Loftus, Prairie Capital Advisors

Veronica Ortiz, Web Industries

Scott Rodrick, NCEO

David Solomon, Levenfeld Pearlstein, LLC

Mary Stenvig, Realityworks, Inc.

Brian Sweeney, Redpath and Company

Cecil Ursprung

Effective April 1, 2017, Judy Kornfeld is chair and Mark Lewis is immediate past chair.

On March 31, 2017, Steve Baker and Adele Connors rotated off the board. James Mauch of Tenmast Software left the board in 2016 after serving as board secretary, and Tom Roback of Blue Ridge ESOP Associates, a longtime board member and former board chair, will be leaving the board as well. We warmly thank them for all they did for the NCEO while board members, and we look forward to continuing to collaborate with all of them.

On April 1, 2017, seven new members joined the NCEO board. We welcome

Rich Armstrong, Great Game of Business and SRC Holdings Corporation

John Case

Kevin Long, Chang, Ruthenberg & Long, PC

Sandra Reid, The Davey Tree Expert Company

Glenn Ripley, Mission Bell Manufacturing

Bill Roark, Torch Technologies, Inc.

Joanne Swerdlin, Swerdlin & Company



# Impact

As an organization, we have been successful by conventional measures. Revenues and membership have grown, staff has increased, more services are provided, etc. The real question for us, however, is how well we are meeting our organization's mission. While it is difficult to engage in a self-assessment, here are what we see as our major accomplishments.

First, we have increased awareness of employee ownership substantially. We have generated a tremendous amount of prominent media coverage that would not have happened otherwise. That helps people be more aware, but it also moves employee ownership forward. If people believe something is a trend because they see it in the media a lot, it becomes one. We have also had considerable success in becoming the "go-to" source for the media on employee ownership, often reshaping major stories. The biggest contributor, however, is our website, which has a huge number of visitors and consistently comes up first or second on Google searches no matter what aspect of this you are looking for. Our membership continues to increase, from 2,920 at the end of 2011 to 3,243 at the end of 2016, but this membership represents less than half of all employee-owned companies and a much smaller percentage of companies that would be good candidate for employee ownership.

Second, we have created a better understanding of the dynamics of employee ownership. Our work on ownership cultures has, we believe, been a large part of why employee ownership companies have been so far out in front of the business world in developing innovative employee participation practices. There is probably nothing we have done, in fact, where our impact has been easier to define. Back in the 1980s, when we first came out with this research, it was controversial and viewed as difficult to implement. Today, our views on what makes employee ownership work have not only been thoroughly verified by independent academics but have become the conventional wisdom (if not always practice) in the employee ownership community.

Third, we have increased understanding of technical issues and provided a forum for debate on them. As a recent example, our issue brief on the fiduciary process agreement is the definitive text on the subject, and our study on ESOP transactions is the first of its kind.

Finally, our work has increased the credibility of employee ownership politically and academically. Our research has set the tone for other investigations and clarified that employee ownership really can work.

In the field of equity compensation, our books are widely considered the definitive sources and are required material for the certification course of the Certified Equity Professional Institute (CEPI) at Santa Clara University.

# Brief History

In 1979, Corey Rosen was working as a professional staff member in the U.S. Senate, where he had been involved in drafting some of the legislation on employee stock ownership plans (ESOPs). At that time, there were very few plans (they had only been given statutory blessing in 1974) and even less general information about employee ownership. Few company owners or managers understood what an ESOP was and how it might work for them. Among people engaged in employee ownership, there was no reliable research on what made some plans work well and others poorly. Rosen was convinced that if more people knew about the idea, more people would find it attractive, and that if there were more research on what made plans effective, more companies would use them for the benefit of their employees and their other shareholders.

Rosen decided that to create this broader awareness, an organization needed to be devoted to that purpose. In 1980, he incorporated the “National Center for Employee Ownership.” His initial thought was that foundations would provide funding, and during the last half of 1980, while still working full time in the Senate, he prepared grant applications. In November 1980, after leaving his Senate job, he was able to get a part-time consulting job to bring in some income, and began to generate materials on employee ownership.

Karen Young, who had worked on the same committee in the Senate, joined him to cofound the NCEO, and also worked on an unpaid basis. Her addition was critical, as she brought the ability to create an organizational structure to complement the substantive work Rosen had done. She also developed considerable subject matter expertise.

The grant applications yielded no results. Foundations were not impressed with an organization with no paid staff, a few manuscripts in process, an office in an 8 x 10 room, and an idea almost no one had ever heard of. Undaunted, Rosen and Young pursued the other track they had been planning for long-term viability, namely to seek members, sell publications, and, eventually, to hold seminars and conferences. They wrote and had printed a first issue of a newsletter and put together a resource guide on employee ownership. The newsletter and a membership appeal was mailed to prospective members, culled from lists of people other people shared with the NCEO. By the end of 1981, the NCEO had about 200 members. It also had two publications—a resource guide and a general publication called *The Employee Ownership Reader*. Work with the media had yielded a number of favorable stories, which generated inquiries. Some of these people joined or bought the book. At year’s end, revenues were about \$27,000.

Over the ensuing years, membership grew gradually, the list of publications expanded, media coverage increased, and the NCEO received a grant to do a research project. By 1983, the NCEO was self-sustaining; by the mid-1980s, it had grown to five staff people and about 1,000 members.

In 2011, Loren Rodgers became the executive director of the NCEO, and Corey Rosen took the new title of founder. Since then, the staff of the NCEO has increased from 10 to 14, with the increased staff power focused on outreach, research, and supporting the growing annual conference and webinar program.

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