KENT STATE UNIVERSITY

Ohio Employee Ownership Center

L'ORGANISATION DES REPRISES D'ENTREPRISES PAR LES SALARIES EN OHIO

Les pages qui suivent présentent les activités du Ohio Employee Ownership Center attaché depuis 1987 à la Kent State University, particulièrement pour l'accompagnement du transfert d'entreprises aux salariés (buyouts), que ce soit dans les cas de successions ou dans les cas de reprises d'entreprises en difficultés.

Elles sont tirées du site internet du OEOC http://dept.kent.edu/oeoc

Buyout Assistance

Cette page introduit les différents chapitres du programme d'assistance de l'OEOC aux transferts d'entreprises aux salariés.

When Employee Ownership Makes Sense

Quand une formule d'actionnariat salarié a-t-elle un sens ? Comment cela fonctionne-t-il aux USA ? L'actionnariat salarié a du sens dans une stratégie de compétitivité, ou bien dans le cadre d'un plan de succession des actionnaires en place, ou bien pour contribuer au financement de l'entreprise, ou encore pour éviter la disparition d'entreprises en faillites…

Steps in Buyout

Ces 3 pages décrivent les étapes permettant de mettre sur pieds un buyout. L'information initiale des salariés, la constitution d'une association de buyout, l'évaluation sommaire des facteurs-clés, l'étude de faisabilité, l'analyse du business plan, la négociation de la reprise et la mise sur pieds de la nouvelle structure de la société, le financement.

Key Questions to Ask Before Attempting a Buyout

Ces 3 pages indiquent les questions à se poser avant de se lancer dans un buyout. Le propriétaire actuel est-il disposé à vendre aux salariés ? Les salariés et les syndicats sont-ils acheteurs ? Une fois reprise par ses salariés actionnaires, la société disposera-t-elle d'un management compétent ? Disposera-t-on d'un délai suffisant pour organiser le buyout ? L'entreprise est-elle compétitive ? Le climat social permettra-t-il à la nouvelle société d'actionnariat salarié de réussir ?

Succession Planning Program

Cette page décrit le programme de l'OEOC visant spécifiquement la transmission d'entreprises familiales.

Ohio's Prefeasibility Study Grant Program

Cette page décrit le dispositif d'aide publique développé par l'Etat de l'Ohio pour subventionner les études de faisabilité des reprises d'entreprises par leurs salariés.

KENT STATE UNIVERSITY

Ohio Employee Ownership Center

The Ohio Employee Ownership Center (OEOC) is a non-profit, university-based program established in 1987 to provide outreach, information, and preliminary technical assistance to Ohio employees and business owners interested in exploring employee ownership. The OEOC provides ownership training on a single and multi-company basis to existing employee-owned firms and is funded by grants from the Ohio Department of Development, private foundations, dues from firms belonging to Ohio's Employee-Owned Network, income from training contracts and donations.

Franklin Hall, Kent State University, Home of the OEOC

The origins of the OEOC lie in a series of research projects conducted between 1984 and 1986 by Dr.John Logue of Kent State University's Political Science Department. This research explored the impact of employee ownership on Ohio's economy and concluded that it did have a positive effect on the local economy. However, it was also found that the utilization of employee ownership was limited, especially in cases where job loss was threatened by the lack of timely and accurate information on how to successfully pursue an employee buyout of the facility.

Objectives & Services

The OEOC's information and outreach activities are designed to promote the possible uses of employee ownership under a variety of circumstances, ranging from succession planning to employee buyouts. The OEOC provides free preliminary technical assistance to companies and unions that are interested in exploring the possibility of employee ownership for their particular situation. Although the Center does not provide professional legal, accounting or valuation services, it does maintain a database of lawyers, investment bankers, valuators and other professionals who specialize in providing ESOP services.

Education & Training

While ownership is a necessary condition for company performance improvement, it is insufficient by itself. A number of studies have demonstrated that it is the combination of employee ownership with structures for employee participation, training to understand those structures, and open communication about the business that lead to high performance in employee-owned firms. As a consequence, the OEOC provides advice to individual companies on structuring employee participation systems and conducts ownership education programs on a single and multi-company basis. The OEOC also provides specially tailored training programs to employee-owned companies on a fee-for-service basis.

Ohio's Employee Owned Network

The Network provides a forum for those working within employee-owned companies to learn from each other how to make employee ownership work more effectively at their firms. Coordinated by the OEOC since 1989, the Network facilitates communication among employee owners to help them climb the learning curve about how to run an employee-owned company. A second goal is to assist individuals and companies to experience the cultural change from conventional to employee ownership, where everyone feels the risk of ownership as well as sharing in the profits. With joint planning and financial support of member companies, the Network sponsors roundtables, forums, and training workshops which address the unique challenges of ESOPs.

Succession Planning Program

The OEOC teams up with the Greater Cleveland Growth Association's Council of Smaller Enterprises (COSE) and CAMP, Inc. to provide a comprehensive series of succession planning seminars to area business owners. Program participants receive An Owner's Guide to Business Succession Planning, a Service Provider Directory of local practitioners, worksheets, selected readings and presenter packets. Experienced consultants are available to answer questions and there are opportunities to interact with other business owners. This program was initially funded by the The Cleveland Foundation and The George Gund Foundation as an effective means to retain jobs that might otherwise be lost from failure to plan for succession. It is now supported by private sponsors.

Resources

The OEOC has an active research and publication program on employee ownership. The Center publishes a monograph series as well as an occasional papers series and the newsletter *Owners At Work*.

For additional information about the OEOC, contact:
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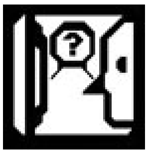
Buyout Assistance

Steps in a Buyout

Key Questions Before Attempting a Buyout

OEOC Home

The Ohio Employee Ownership Center can provide **FREE** preliminary technical assistance to Ohio companies, managers, and employees contemplating employee ownership. Below are links to the employee ownership resources on this site. If you require assistance beyond what is offered on this site, call us at 330-672-3028, or email us at oeoc@kent.edu.



For a primer on the basics of Employee Stock Ownership Plans (ESOPs), click here. To get an understanding of whether or not employee ownership makes sense in a given situation, click here. If you want to know what the major steps in the buyout process are, click here. For questions you should ask yourself before getting involved in the buyout process (as well as some answers), click here.

If you are a retiring owners looking for an exit strategy, check out our Business Owner Succession Planning Program.

U.S. companies suffering from the recent crisis in the steel and aluminum industries can click here for the National Steel/Aluminum Retention Initiative (NSARI) to see if employee ownership can help.

Ohio companies facing shutdown and job loss can click here for Ohio's Prefeasibility Study Grant Program to find out if employee ownership is the answer.

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When Employee Ownership Makes Sense

Overview

The number of Employee Stock Ownership Plans (ESOPs) in the United States has increased from approximately 200 employing 250,000 workers in 1974 to over 10,000 established ESOPs in 1997 covering an estimated 11 million employees. This dramatic increase is due in large part to the implementation of ESOPs as: a competitiveness strategy, a business succession plan, a strategy for tax-advantaged corporate financing and a means to avert a plant shutdown.

Employee Ownership in the United States

The mushrooming of employee ownership over the last decade is due in large part to the legal recognition of ESOPs in the Employee Retirement Income Security Act of 1974 (ERISA). This act gave statutory definition to a concept introduced by Louis Kelso and Patricia Hetter in *How to Turn Eighty Million Workers Into Capitalists On Borrowed Money* (1967). Kelso and Hetter believed greater economic growth could be achieved by a broadening of corporate ownership. Since capital is the primary source of an affluent society, "universal capitalism" is a prerequisite for real economic expansion. Corporate ownership had concentrated wealth and a vehicle was needed to encourage a broader population to accumulate shares of corporate ownership so individuals could gain a viable share of corporate wealth which they in turn could use to develop their personal wealth. As the number of people with multiplying net worth grew, so would the economy grow at a substantially increased rate. Kelso and Hetter proposed to motivate corporations via tax incentives and finance the leveraged acquisition of new capital through the discount window of the Federal Reserve. Less than a decade later their proposal was made part of U.S. economic policy as Congress awarded ESOPs tax-favored status in the Employee Retirement Income Security Act (ERISA) of 1974.

How an Employee Stock Ownership Plan Works

An Employee Stock Ownership Plan, or ESOP, is a tax-qualified employee benefit plan that invests primarily in stock of the sponsoring employer. ESOPs must meet governmental regulations issued by the U.S. Department of Labor (DOL) and the Internal Revenue Service (IRS). The simplest way to understand how an ESOP works is to conceptualize it as a variation of a traditional profit-sharing plan. Contributions made to the ESOP are tax deductible and income earned by the ESOP is tax-deferred. Since the ESOP is a retirement plan, employees are not taxed on their accounts until the money is withdrawn.

So what is the difference between an ESOP and the traditional profit-sharing plan or other pension plans? There are two key distinctions:

- An ESOP is the only qualified employee benefit plan that can borrow money; and
- An ESOP invests primarily in employer stock and may own anywhere from a fraction of 1% to

100% of a company's stock, whereas traditional pension plans are subject to stricter diversification requirements.

Similar to other pension plans, ESOP stock is held outside the company in a trust that is a separate legal entity. The trustee has a fiduciary obligation to act in the best interest of all employee participants in the ESOP. Within this trust, separate accounts are maintained for individual stockholders. In a leveraged situation, each year the company pays back part of the principal on its ESOP loan. The loan payments are made through the ESOP to the bank and are therefore tax deductible business expenses, just like other contributions to a pension plan.

Tax Incentives for ESOPs

The most significant tax incentives established by Congress to encourage companies to set up ESOPs are:

1. An individual who sells 30% or more of his or her stock in a closely-held corporation to an ESOP may defer the capital gains tax if the proceeds of the sale are reinvested in other domestic securities. The income tax on the gain would be due upon the sale of the replacement property but if the replacement securities pass into the estate, the transfer to any beneficiaries is treated as a stepped-up basis and no capital gains is ever paid.
2. If the corporation uses an ESOP to obtain a loan, it may deduct the principal as well as the interest payments on the loan. For many companies, this is a excellent strategy for corporate financing and can cut borrowing costs by one-third. Imagine if you could do this on your home loan!
3. Dividends paid in cash on shares held by an ESOP are deductible by the sponsoring corporation if they are passed through to the participants in the plan or they are used to pay off a loan taken out to finance the purchase of company stock.
4. Participants in the ESOP have tax-sheltered accounts until their benefits are withdrawn, typically at retirement.

Employee Ownership Makes Sense . . .

Whether you are exploring employee-ownership as a strategy for stable business succession or a tool for tax-advantaged corporate financing, you should begin by assessing your philosophical beliefs and personal comfort level with the underlying concepts of employee-ownership. If communicated effectively and coupled with participation, employee ownership can also be a powerful tool to motivate employees.

. . . As a Competitiveness Strategy

In addition to the tremendous tax incentive and financing opportunities there are also many work performance advantages to employee ownership. The General Accounting Office's (GAO) recent survey of ESOP firms found that the combination of employee ownership and employee participation yielded substantial improvements in firm performance. There are numerous research studies that indicate this direct and positive correlation between high levels of employee participation on the shop floor in employee owned companies and increased performance and production.

. . . As a Business Succession Plan

Most employee-owned firms are successful and profitable businesses. Approximately 58 percent of Ohio ESOPs instituted employee ownership primarily to purchase shares from retiring owners. As previously mentioned, a retiring owner who sells thirty percent (30%) or more of the company's stock to an ESOP trust may defer capital gains if the proceeds of the sale are reinvested in other U.S.

operating companies. This tax incentive is an attractive strategy for the owner to begin exiting the business while still maintaining control and taking care of his or her employees and the community by retaining jobs for the long haul.

. . . As a Strategy for Tax-Advantaged Corporate Financing

Unlike profit-sharing and other employee benefit plans, ESOPs may borrow money to purchase company stock. In fact, 10% of Ohio employee-owned businesses used an ESOP loan as the primary means to finance company expansion. This is really a tax-advantaged financing tool since the company can deduct both the principal repayments as well as interest on an ESOP loan. After the ESOP trustee uses the loan to purchase stock from the company, the company may then use the proceeds for any acceptable business purpose such as purchasing equipment, buying another company, taking a private company public, or financing the sale of the stock. This technique will greatly reduce the company's financing costs.

. . . As a Means to Avert Plant Shutdown

ESOPs may be used as a vehicle to save jobs and anchor capital in communities when job loss threatens. Although employee buyouts to avert plant shutdown are more common in Ohio than any other state, only five percent of Ohio firms instituted employee ownership primarily to avert job loss.

Turning around troubled companies through employee ownership is a difficult but worthwhile undertaking. There are approximately 300 companies that were bought by employees through an ESOP loan to avert a shutdown or major job loss in the United States. A few of these companies are: Northwest Airlines, Weirton Steel in West Virginia, and Bliss-Salem in Salem, Ohio. These companies and many others across the U.S. would no longer be operating today if they had not become employee-owned.

How to Get Started

If you are considering an ESOP for your company you may want to begin your exploration by talking with folks from other employee owned companies similar in size and culture. Sometimes this is the simplest and best way to gain a true understanding of all the costs and benefits of establishing an ESOP.

You may also want to search the Internet, attend seminars, and research journals to determine if employee-ownership fits your philosophical beliefs. If you find yourself comfortable with the concept, explore various alternatives in structuring an ESOP. Finally, if you want to use employee ownership to increase competitiveness, it is advisable to establish open channels of communication with the employees and maintain a consistent level of input for employee participation.

For additional information about Employee Stock Ownership Plans or ESOPs, contact:

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Steps in a Buyout

Buyout Assistance

Key Questions Before Attempting a Buyout

1. Educate the supporters of the buyout.
Supporters may include all of the hourly and salaried employees as well as local management. Frequently, in situations involving an organized workforce, those employees protected by a union contract are the initial proponents. Local management and salaried employees should be brought into the group as soon as they are able to do so without their jobs being put in jeopardy.

Meeting 1: The initial education usually takes place in two meetings. The first is with the original buyout leadership and includes:

An explanation of the steps involved in doing a buyout and how Employee Stock Ownership Plans work and are used to finance a buyout.

A detailed discussion of the key factors which should be considered before employees attempt a buyout as these factors pertain to specific circumstances of the plant in questions.

A decision as to whether there are any obvious reasons not to pursue the buyout any further.

A plan for the next steps and a meeting with the rest of the employees.

Meeting 2: The second meeting is a presentation to all of the employees who are willing to attend. This meeting includes:

An explanation of steps to a buyout and ESOPs.

A presentation of the key factors which are important for a successful buyout and the leadership's preliminary assessment of these key factors.

A commitment on the part of a significant majority of those present to encourage the buyout leadership to continue exploring the buyout.

If the employees are not interested in a buyout, then it is unwise to proceed any further.

2. Establish a buyout association.
Membership in the buyout association is usually open to all the potential future employee owners. A leadership is usually selected to put the buyout together on behalf of the buyout association. Through its leadership, the buyout association:

Raises funds from members and solicits matching funds from government and other potential contributors.

Contracts with and oversees the work of legal and financial consultants.

Develops a management team.

3. Do a pre-feasibility assessment.
This assessment is a quick study by the legal and financial consultants of the key factors needed for the buyout to succeed. It should include:

Clarification of the issue of the owner's willingness to sell.

An evaluation of the company's historical financial performance.

Identification of potential lenders and investors.

Identification of the management team.

A judgment about the industry and the company's future market.

Identification of any obstacles which are likely to cause the buyout to fall. If such obstacles exist, and the professional opinion is that they cannot be overcome, then the buyout association should not continue to invest money, time and hope any further.

4. Conduct a feasibility study.
A professionally done feasibility study provides an in-depth analysis of the economic viability of the plant as an employee-owned company. This generally requires five years of company financial data on the performance of the plant in question, ascertaining the approximate value of plant and equipment, estimating the size of liabilities that come with the plant, and market research.

Feasibility studies can be done by local management (especially in small projects), business analysts, investment bankers, and other outside consultants. Such studies typically cost between $15,000 and $50,000, depending on the size of the project.

If the feasibility study shows that there is no feasible way for an employee-owned succeed, then the buyout association should cease pursuing the buyout.

If there are any feasible ways for an employee-owned company to succeed, they should be identified in the feasibility study. The buyout association should select the most acceptable alternative. At this point the buyout association has most of the information it needs to complete the following steps.

5. Develop a Business Plan.
If the buyout association proceeds beyond the feasibility study, it is because the study has explained how an employee-owned company can succeed. This explanation with a little packaging thrown in is the business plan which the buyout association will take to potential lenders and investors. The business plan explains how the new company will generate the

money to replay the bank and reward the investors.

6. Negotiate the purchase and create the structure for the new employee-owned company.
The feasibility study should provide the buyout association with a reasonable estimate of the company's value as well as how much debt the new company will be able to support. Negotiating the purchase may be very time consuming and expensive. Typical legal costs vary dramatically depending on the complexity of the deal.

> If the buyout is a sale of stock, then the company creates an ESOP to purchase the stock. If the buyout is a sale of assets, then a new company must be incorporated with an ESOP. The ESOP purchases stock in the new company and the company uses the proceeds to purchase the assets from the original company.
>
> The buyout association develops a governance structure for the employee-owned company which will encourage all of the employee owners to contribute constructively and cooperatively to their company's future success.
>
> The buyout association designs the Employee Stock Ownership Plan. A lawyer must be hired to write the ESOP document but the cost will be less if the buyout association already knows what it wants in the document.

7. Arrange financing.
A feasibility study should identify the capital expenditures and working capital needs of the company and these should be taken into account when arranging financing in a addition to the agreed upon purchase price. The financing may include equity or subordinate debt, senior debt, and working capital financing. Generally this requires professional assistance by your lawyer, business analyst or outside financial consultant. This can often be done on a contingency basis.

8. Close the deal with the seller.
This will require a lawyer for the paper work.

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Key Questions to Ask Before Attempting a Buyout

Buyout Assistance *Steps in a Buyout*

Employee buyouts require a large amount of energy, time and money. Therefore, it is important to identify obvious issued which indicate that a successful buyout is unlikely. This can prevent an unwise investment of money, time and hope. It can also help identify, for the seller and the buyer in viable situations, the key issues on which they need to focus. The following list focuses on the key questions that need to be addressed in employee buyouts which involve substantial change of ownership.

1. **Is the current owner willing to sell to the employees?**
   Many sellers are initially unwilling to sell to their employees, but change their minds once they have received m ore information. If for any reason the owners does not want to sell to the employees, there is no easy way to force a sale. The only time an owner does not have complete control is in the case of bankruptcy or in the extremely rare case when an overarching community interest provides the use of eminent domain.

   Willing sellers:

   - Provide the buyout committee or its financial analyst with access to all of the necessary information and key management personnel.
   - Allow all employees (including those unprotected by a union contract) to express their active support for an employee buyout.
   - Do not insist on an inflated price.
   - Sometimes pay some of the buyout expenses and finance a part of the purchase price.

2. **Do the employees and their union want to buy?**
   Just like owners, employees and union representatives may not support a buyout until they have received more information. A couple of enthusiastic employees or local development people cannot make a buyout happen if they do not have the active support of a significant number of employees who would eventually be owners. If the lack of interest does not kill the buyout itself, it will likely shorten the life expectancy of the new employee-owned company.

   Interested buyers:

   - Attend educational presentations and vote to support the exploration of a buyout attempt.
   - Contribute to a fund to pay for putting the buyout together.
   - Make economic sacrifices or direct investments when absolutely necessary. (Very committed employees)
   - Take a leadership role in organizing a buyout. (Supportive Unions)
   - Pick up some of the related expenses. (Very supportive Unions)

3. **Will the new employee-owned company have competent management?**
   Most businesses need an individual or a combination of individuals who can sell, direct

production, and manage cash flow efficiently. In addition, it is helpful to have a manager who has run a stand-alone operation before. Lenders will not finance a buyout without knowing who will be doing these function.

- When judging the performance of current management, it is important to determine whether past errors are attribution to their own level of competence or rather to the possibility that their hands were tired by an owner or parent corporation with interests in conflict with those of the employees.
- Managers may find themselves in a difficult position during a buyout since they are employed by the seller. Nevertheless, when a manager takes an active role in driving a buyout, that is a good sign since managers should have a good sense of a company's potential.
- When current management is unwilling to join the buyout effort or is judged to be incompetent, the buyout committee should consider former managers, previous owners, and people who the union international might be able to identify.

4. **Is there enough time to complete a successful buyout?**
   Employee buyouts take a long time. It is unlikely that one can be concluded in less than 6 months and more likely that it will drag on for about a year or maybe more.

   - If a business is losing money, the current owners may be unwilling to keep it operating. They may decide that a quick sale or liquidation will make more economic sense.
   - If the current owners are not maintaining equipment, holding on to customers, and lining up future business, what looks like a viable business today may be greatly diminished by the time the employees complete their purchase. Financing the purchase of a business threatened by a shutdown frequently depends on the participation of a government loan program. The application and review process involved will usually add an extra two to four months to the effort.
   - While deadlines must be taken seriously, they are not written in stone. "Something should always be turned in on time but extensions to fill in more details are not uncommon. Sellers often want a bid before the buyout committee has had sufficient time to evaluate what they are buying; an attractive and timely bid can be made as long as disclaimers are thrown in.

5. **Is the plant competitive?**
   Especially when employees are buying a sub-component of a larger company, it is important to determine how the plant will do as an independent business. A key to answering this is asking why the facility is being closed or sold. The company will need all of the normal preconditions that any business needs for success.

   - Access to a sufficient supply of raw materials, at competitive prices, from suppliers willing to extend the normal credit terms for the industry.
   - A level of production, both quantity and quality, which is comparable to that of the competition.
   - A plant and equipment which is in good enough condition that maintenance and replacement costs will not drain the company's cash flow.
   - An established market which will assure the new company a level of sales sufficient to cover costs, meet the debt service and give the company some breathing room.
   - The new company will also need to take into account any hidden liabilities such as environmental issues, obligations to retired employees, and potential lawsuits.

6. **Will labor-management relations permit this company to succeed under employee ownership?**
   Employee ownership is not an overnight solution to a poor labor-management environment. If union representatives are unwilling to shift from problem identifiers to problem solvers, or

management is unwilling to share the role of the problem solver, adversarial relations are likely to be exacerbated rather than helped by employee ownership. Community development professionals can help employees and the proposed management assess whether this will be a problem by paying attention to the following issues.

- Past history as described by labor.
- Past history as described by management.
- Key issues in any recent strikes or contract negotiations.
- The willingness of different parties to reassess their roles.

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Succession Planning Program

Five Commonly Used Tools to Transfer the Business | Owner's Guide to Business Succession Planning | Succession Planning Library

According to the American Institute of Certified Public Accountants, failure to plan for ownership succession is the greatest threat to businesses with sales less than $3 million and the second greatest threat to closely-held businesses larger than that. Yet, while 80% of small businesses are family owned, only 21% have a written plan for succession. Should something happen to the owner, these companies may face serious financial and management crises. In an effort to avoid the instability these unexpected crises often cause and to help business owners explore all of the options available to them, the Greater Cleveland Growth Association's Council of Smaller Enterprises (COSE), and Corporate College, a division of Cuyahoga Community College, have teamed up with the Ohio Employee Ownership Center (OEOC) to coordinate the Succession Planning Program.

Too many successful local businesses have been lost because the owner never got around to planning for succession. The Succession Planning Program seeks to address this problem by offering topic specific sessions to help business owners learn about and begin planning for succession in a low-pressure environment. In this way, the Succession Planning Program helps regional area businesses plan for succession before crisis hits. Such advance planning ensures that the family is cared for, the business remains viable, and the heirs get a fair value out of the business.

Originally funded through grants from The George Gund Foundation and The Cleveland Foundation, the Succession Planning Program is now primarily supported through private sponsors in Northeast Ohio. The program helps business owners to define their succession planning goals, assists them in finding help to implement a plan that meets their needs, and ultimately attempts to retain businesses and jobs within the community.

Program participants receive ***An Owners Guide to Business Succession Planning**,* presenter packets, worksheets, selected readings, and the **Service Provider Directory**. In addition, participants get their questions answered from experienced succession planning practitioners, and have the opportunity to talk with other business owners about how they have handed their succession planning situations.

To view upcoming business owner succession planning seminar topics and registration information click here.

For more information on the Succession Planning Program contact:

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Ohio's Prefeasibility Study Grant Program

Anchoring Jobs in Ohio's Communities

IS A PLANT IN YOUR AREA IN DANGER OF SHUTTING DOWN? CAN ANYTHING BE DONE TO KEEP IT OPEN?
Employee ownership might be the answer to continued operation of the facility. It is certainly an option worth checking out and it may be the only alternative to a plant closure and the loss of jobs to the community.

HOW DO YOU FIND OUT?
If the employer is willing to sell to the employees and if the employees are interested in buying the operation, the next step is to have a professional conduct a preliminary feasibility study to determine if the plant in question can survive competitively, under what conditions and whether employee ownership is a workable alternative. After all, everyone should enter such an arrangement with their eyes open and all the options and chances for success laid out.
Prefeasibility studies cost money, something that is likely to be in short supply for a group of workers staring at a plant closure or massive layoff. That's where the prefeasibility study grant program can be of valuable assistance.

WHAT IS THE PREFEASIBILITY STUDY GRANT PROGRAM?
The federal Workforce Investment Act of 1998 (WIA) continues the prefeasibility study grant program originally authorized by the Job Training Partnership Act (JTPA), to provide monies for such studies. The Ohio Department of Job & Family Services (ODJFS) has contracted with the Ohio Employee Ownership Center (OEOC) at Kent State University to administer prefeasibility study grants in the State of Ohio.
Ohio is a national leader in funding prefeasibility studies and has funded 30 such studies since 1991. Seven led to ESOPs, eight shut down anyway, three were retained by existing ownership utilizing the findings of the prefeasibility studies, seven were bought by outside buyers, two showed that an ESOP was not feasible and three are pending.
Saving jobs is a smart thing to do. It can expand the local labor market and the local economy while saving the State many thousands of dollars by eliminating the need for unemployment compensation payments and other social services.

HOW THE PROGRAM WORKS
Monies are available to buyout committees that are exploring whether employee ownership makes sense in their company. The prefeasibility study is expected to determine whether further feasibility work and a business plan are warranted and to do so rather expeditiously. In shutdown situations, time is of the essence and swift action usually improves chances for success.
To be eligible for a grant, there has to be a clear threat of job loss or shutdown. There also needs to be an established buyout committee to act on behalf of the employees as buyers and the committee generally needs to raise some matching funds.
The size of the prefeasibility study grant is typically in the $10,000 to $20,000 range, but larger grants are possible when there is particular justification.
The application process is simple and quick. The first step is to contact us at:

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