

A true ESOP fable

ICP rewards workers with Employee Stock Ownership Plan

By RYAN HORNS

When employees of Industrial Ceramic gathered for a company meeting before Thanksgiving break, they didn't know if they should be ready to count their blessings or pack their bags.

On Nov. 21, company president R. C. Oberst called them together to relay some news. The company was being sold.

But just as heads started to lower, he explained further.

"Turn to the guy next to you and shake his hand," Oberst said. "Because you are the new owners."

Everyone then received new company jackets – bearing the words "Employee Owned."

As one of the new owners said, pointing down proudly at the words on his coat sleeve, "That's what it's all about."

Rather than sell out to competitors or take his family's money and run, Oberst decided to give the company back to his approximately 80 employees.



"It's called an Employee Stock Ownership Plan, or ESOP," he said. "It's not a well-known concept. As far as I know, there are no other employee-owned companies in Marysville."

According to the U.S. Securities Exchange Commission, an ESOP is a tax-exempt retirement plan in which the company contributes its stock for the benefit of employees. Staff are allotted stock in the company, and when they retire or leave the company, they receive the stock value. Their salaries typically start going up too.

Tim Jochim, a national expert on ESOPs and attorney for the Ohio law firm Kegler Brown Hill and Ritter, said the move is becoming a growing national business trend – especially for companies that outlived the recession.

He said Allied Mineral and the Publix grocery chain are both prime examples of companies that prospered due to the transition.

"As the economy improves, so do the valuations," Jochim said. "And as the valuations improve business owners are looking to sell."

R.C. Oberst, president of Industrial Ceramic Products, stands in the foreground, with the approximately 80 new owners of the business. The group flexed their proverbial company muscles outside the facility on Suntra Way Thursday. Oberst announced just before Thanksgiving that he was handing over ownership of the company to his employees.

(Journal-Tribune photo by Ryan Horns)

He said Baby Boomers are increasingly retiring, but looking for ways to continue their legacy. The move into ESOPs can also act as that final thank-

you card to the people and communities that helped build their success.

In 2010, the founder of Bob's Red Mill Natural Foods cele-

brated his 81st birthday by giving his \$20 million company away to the employees. Earlier this week, the CEO of three grocery stores in Minnesota and North Dakota retired at the age of 70. Instead of selling everything off, he turned the operation over to his 400 workers.

For Oberst, handing over Industrial Ceramic to his staff made similar sense.

Over the past 76 years, the family-owned business has manufactured a diverse range of industrial ceramic products, shipping them all around the world. The company initially started in Columbus, but hit its stride in 1995 after moving to 14401 Suntra Way in Marysville.

Oberst said one day he realized, "I am the last family member working in the business. Many smaller companies do not survive without a transition strategy."

At the age of 60, he was getting close to retirement, but not ready to stop working. He

needed a plan, but without a next generation coming up in the ranks, there were few options. He could sell to an outside competitor or maybe arrange an inside sale to his managers. The third option: Have no plan and have someone else liquidate the company later on.

"They call it dying with your boots on," Oberst said.

In either scenario, not only would his family's heritage be over, but his employees could be left jobless.

Sooner or later, he would have to make a decision about the future of the company.

A life-changing event finally put everything in perspective.

In August 2010, Oberst fell seriously ill and was admitted to Memorial Hospital of Union County with meningitis.

"My kidneys failed and I was on dialysis for awhile," Oberst said. "That was the big motivator."

Cheating death and working his way toward recovery, he (Please see ESOP on page 3)



New coats were handed out to the new owners, making it clear Industrial Ceramics is now "employee owned."

(Journal-Tribune photo by Ryan Horns)

ESOP

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said, made him think hard about that transition plan.

"The Oberst family was interested in the legacy of the company. They had all worked for the company at various times and were all shareholders," he said. "We were more interested in seeing the company continue to grow and thrive, rather than take the pot of gold at the end of the rainbow."

When Oberst finally called his workers together before Thanksgiving break, the deal was already done. Industrial Ceramic became employee-owned on Nov. 16. He just hadn't told everyone yet.

"The reaction from the new owners was positive," he said. "All had a little extra to be thankful for on Thanksgiving."

But he also knows ESOPs are complex. Employees over the age of 18, who have worked at the company for more than six years, are now 100 percent vested in the program.

"Some of them were initially not sure. Obviously, employees can't take a piece of the pie and just walk off," he said. "It's not a guaranteed success. To continue we still have to grow our business."

But compared to the alternatives, Oberst said, Industrial Ceramic has a much brighter future.

"This is an exciting time for our company," he said.

Jochim said ESOPs not only provide relief to business owners concerned about longevity, they also serve to motivate

employees to keep forging ahead.

"They have a greater stake in the business," he said. "They don't just work at the company, they are part of the company."

Oberst said handing over the reins to his employees was also another way to give back to the community. There were recent incentives to relocate elsewhere, but he is glad to be in Marysville.

"Marysville has been very good for our company," he said.

For other business leaders interested in ESOPs, find more information online at www.esopassociation.org.

Industrial Ceramic can be found online at www.industrialceramic.com.