PaCEO
PENNSYLVANIA CENTER FOR EMPLOYEE OWNERSHIP

Press Kit
Description
The Pennsylvania Center for Employee Ownership (PaCEO) is a 501(c)(3) nonprofit corporation, supported by volunteers from among Pennsylvania ESOP companies, service providers and agencies, educational institutions, and other interested parties.

Purpose
The PaCEO promotes better understanding of the values of employee ownership among business leaders, public officials, employees, members of the media, students, teachers, nonprofit leaders, consumers, and other persons and organizations in Pennsylvania.

The PaCEO has a single focus – to assist businesses in the State of Pennsylvania in understanding employee ownership and its benefits. We lend guidance by educating interested parties and by supplying a listing of subject matter experts who have become known to us through their expertise and working support of our organization, and who have demonstrated extensive experience in working with ESOP clients.

Objectives
1. Raise awareness. Promote greater awareness of employee ownership among various stakeholders in Pennsylvania
2. Create more employee ownership. Increase the percentage ownership of existing employee owned companies and increase the number of new employee owned companies in the state
3. Improve the Pennsylvania economy. Strengthen the state’s economic health by retaining and expanding the local workforce though employee ownership

Vision
The PaCEO is a force of sustainable and tangible positive change in the lives of individuals and families in the Commonwealth of Pennsylvania.
Employee ownership has many forms. Two of the main forms are – Employee Stock Ownership Plans (ESOPs) and worker cooperatives. In both, employees are given a financial stake in the business - as the business prospers, employees prosper. This creates increased employee engagement and therefore an average 8% increase in productivity.

**Employee Ownership:**

- Increases Profits and Productivity
- Rewards Owners with Full Fair Market Value
- Provides a Ready Buyer and a Robust Succession Plan
- Creates Real Retirement Savings for Employees
- Addresses the Wealth Gap
- Keeps Businesses in PA and Creates Jobs
- Bolsters the Economy and Strengthens Communities
- Reduces Burden on Government

**Why is this important now?**

- Social Security would be less of a concern with greater employee ownership
- Widespread pension plans are a vestige of the past. 401(k) programs have not bridged the gap of retirement fund needs for most Americans
- Due to aging Baby Boomers, 4.5 million businesses are going to transact over the next 10 years – many will sell to private equity or close, simply because they don’t have a succession plan

**Statistics:**

- 70% of business owners over 55 say they have no written succession plan
- 30% of Americans over 55 have $0 in retirement savings
- 54% of Americans over 55 have less than $50,000 in retirement savings

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1. 4.5 million businesses going to transact over next ten years
   Biery, Mary Ellen, “Study Shows Why Many Business Owners Can’t Sell When They Want To,” Forbes, February 2017
2. More than 70% of business owners over 55 say they have no written succession plan.
   Insurance Forums, “Business owners’ love of work may hinder succession planning,” February 2018
3. 30% of Americans over 55 have $0 in retirement savings and 56% of Americans over 55 have less than $50,000
   Kirkham, Elyssa, “1 in 3 Americans Has Saved $0 for Retirement,” TIME, March 2016
<table>
<thead>
<tr>
<th>Did you know?</th>
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<tbody>
<tr>
<td>Owners get full fair market value when selling their business to employees</td>
<td>Employees pay NOTHING as new owners</td>
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<td>100% ESOP companies that are S-Corps pay NO FEDERAL OR STATE TAX</td>
<td>These tax savings serve to pay off the owner</td>
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<td>Employees at ESOP companies receive 5-12% higher wages</td>
<td>There are just under 7,000 ESOP companies nationwide</td>
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PaCEO
ownershippennsylvania.org
There are about 300 employee owned companies in PA, including:

- West Grove, PA
- Altoona, PA
- Duncansville, PA
- Ambler, PA
- Philadelphia, PA
- Wawa, PA

KTA Tator, in Pittsburgh, PA has had 1000% growth since 1999.

“IT’s not a sense of ownership, it’s genuine ownership - the employees have a completely different mentality. Employee rollover is essentially non-existent. We’ve got career chefs, career cooks, career bartenders.”

-Matteo Rachocki, CEO
Voodoo Brewery

NewAge Industries, Inc., in Southampton, PA saw an 851% increase in share price in the first 10 years of their ESOP.
In 2015, the National Center for Employee Ownership (NCEO) in Oakland, California assembled a group of national experts to discuss the future of employee ownership in the United States. At that point, the number of employee owners was rising but the number of employee owned companies nationwide had been stagnant for more than two decades. The reason was a simple lack of awareness. This was confirmed by the well-regarded research produced by the NCEO and Employee-Owned S Corporations of America (ESCA), a Washington D.C.-based advocacy group.

The NCEO determined the best way raise awareness was through grassroots organizing efforts. In mid-2015, the NCEO formed the State Center Task Force, comprised of experienced business executives, to develop a plan. The SCTF chose the State of Pennsylvania as a test site, to create a model that would expand employee ownership. They would then export that model to other states.

In January 2016, the nonprofit Pennsylvania Center for Employee Ownership was formally incorporated. Under the guidance of its founding director, Kevin McPhillips, the PaCEO began the process outlined by the SCTF. By 2017, the organization had formed alliances with more than 100 partner organizations in business, government, economic development, education and the nonprofit world. Today, with offices in Philadelphia and Pittsburgh, the PaCEO provides education, training, and outreach to more than 1,500 individuals annually, and created a pipeline of over 70 prospective companies statewide. In 2018, the PaCEO engaged with the newly formed Employee Ownership Expansion Network (the EOeX) to share the model with all interested states. The stated goal of the EOeX is to create state centers to cover 70 percent of the U.S. population by 2025.
Kevin McPhillips, Executive Director/CEO
kevin@paceo.org

Kevin McPhillips has enjoyed more than 30 years working in both nonprofit and private leadership. Before joining the PaCEO, McPhillips served as CEO of 1000 Museums, the leading online community destination for museums and exhibitions from around the world. Prior, he was President of The Princeton Companies, handpicked by the Governor’s Office as a model of NJ Business growth, served as President of Direct Group, one of the nation’s largest Direct Marketing firms, and spent 8 years leading non-profit centers for citizens with special needs. His experiences managing and owning businesses taught him that employee ownership and investment is good business. Kevin is a product of Northwestern University.

Rosalie Evans, Marketing Services Coordinator
rosalie@paceo.org

Rosalie Evans is the Marketing Services Coordinator. Before joining the PaCEO, Rosalie worked to build the research and communications capacity of community development corporations as an AmeriCorps VISTA at the Pittsburgh Community Reinvestment Group. She brings social media marketing and technology experience to her role from administrative work at the University of Pittsburgh and Philips Respironics. Rosalie is a graduate of Allegheny College.

Ken Baker, Chairman

Ken Baker (Chairman) is CEO of NewAge Industries, Inc. in Southampton, PA. Ken is 2nd generation with over 20 years as CEO but started with the firm in high school as the janitor. NewAge manufactures plastic tubing and hose, rubber tubing and hose, fittings, fluid flow systems and RFID tag solutions. Ken sold 49% (S ESOP) of the company to the employees over 7 years ago and is an active member of the employee ownership community. Ken has put NewAge on the track to sustainability by installing one of the largest solar arrays in PA with 4,008 solar panels.

For more information, contact:
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www.OwnershipPennsylvania.org