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**The Year's Most Innovative Employee-Owned Companies
Awarded in Chicago Last Week**

An elementary school, an engineering firm and a software development company were recognized for their achievements before over 800 of their peers at a conference in Chicago last week. The common thread which ties these very different enterprises together is that each of these companies is owned by its employees. Though their strategies and techniques vary, all three organizations effectively use employee ownership to foster entrepreneurship and participation among employees, resulting in strength, sustainability and success.

The Innovations Award

These companies received the Innovations in Employee Ownership Award, which was announced at the 2008 Employee Ownership Annual Conference presented by the National Center for Employee Ownership and the Beyster Institute at UC San Diego's Rady School of Management. The grand prize winner was Cedarwood School of Mandeville, Louisiana, and awards also went to ATA Engineering of San Diego, California and HCSS of Houston, Texas.

The Innovations in Employee Ownership Award was created in 2006 to recognize companies that have developed practices that make employee ownership a stronger and more effective business strategy. The awards are made possible by a generous grant from employee-owned Fairfax, Virginia consulting and IT solutions company TEOCO, Inc. By recognizing companies that are pioneering best practices in plan design, employee training and education, internal communications, and other aspects of employee ownership, the sponsors hope that others can learn from the award winners.

The Winners

Even the concept of Cedarwood School is innovative: "We've all heard of doctors' hospitals," says CEO and founder Kathy LeBlanc. "Why not a teacher-owned school?" Cedarwood has 375 students in preschool to seventh grade at its campus in southeastern Louisiana, and 32 faculty and staff members participate in an employee stock ownership plan (ESOP) that owns 100 percent of the company. Through her experience with the ESOP, ownership has become central to LeBlanc's idea of what schools should be: "Teachers make countless decisions that affect the quality of education – it only makes sense for them to take ownership, literally, of their own schools." At Cedarwood, ownership isn't only about shares and education isn't just about students. Faculty and staff receive extensive business literacy training and the board of directors hold a "fishbowl" board meeting: an actual board meeting held on stage, with employee-owners watching the discussion and the decisions. The school weathered Hurricane Katrina and reopened just two weeks after the storm thanks in part to the strength of its employee owners and the systems and governance structures created in connection with their ESOP.

In April 2000, just after it spun off from its parent company, ATA Engineering's 28 founding employees, from the engineers to the receptionist, owned the company through a combination of direct ownership and options. Not content with that system, the company crafted a complex

transaction involving recapitalization, cancellation of options, and issuance of new options. The result was a corporation with 100 percent ESOP ownership and an active, broad-based options program. To preserve its 100 percent ESOP-owned status, the company offers a commitment to buy back options before exercise at their “in the money” value. ATA’s management is project-focused; the company President may find herself reporting to a project director with two years of tenure, so the company takes recruitment seriously. ATA hires new employee-owners only when a broad-based interview team reaches a consensus decision that they are “too good to pass up.” To preserve the sense of a company-wide team, the compensation of every engineer, including the entire senior management team, is driven by a single formula. ATA does not have a separate executive compensation system.

HCSS is a fast-growing, industry-leading software company that serves the construction industry. HCSS works hard to make sure that employees do their jobs with an awareness of how they influence success in the business. The result is fiercely loyal customers and employees who provide a level of service unique in their industry because they learn, act, and work with the passion of owners. That passion comes from extensive open-book management and business literacy training at HCSS University, and it also depends on a three-tier reward system that gives employees a wide-spectrum ownership interest. The short-term incentive is a cash bonus program. Stock appreciation rights (SARs) cover the medium-term, and the ESOP rounds out the picture. Recognizing the key role that management plays in nurturing an ownership culture, HCSS invested heavily in management training, with a 50-hour 12-week course for managers representing over a quarter of the company’s employees. Additionally, every employee participates in a two-day personal development leadership course.

About Us

The National Center for Employee Ownership (NCEO) is a nonprofit research and education organization established in 1981 by Corey Rosen. The NCEO is based in Oakland, California and is widely recognized as the source for accurate, unbiased information on ESOPs, stock options, other forms of equity compensation and ownership culture. Visit www.nceo.org for more information.

The Beyster Institute at the Rady School of Management, University of California, San Diego focuses on training, education and consulting to advance employee ownership and entrepreneurship worldwide. The Institute serves as the key center for entrepreneurial thought and activity at the Rady School and is the only such university-based center to integrate both employee ownership and entrepreneurship. Visit www.beysterinstitute.ucsd.edu for more information.

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