



## Kocolene sells to its workers

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Kocolene Development Corp. of Seymour will use \$2 million in state financing to aid the sale of 40 percent of its business to its workers through an Indiana Employee Stock Ownership Plan.

Kocolene President and CEO Gary Myers said his family considered many options before deciding that selling to its employees was its best route.

"We considered our options," he told a gathering of managers and corporate office employees Thursday morning.

"We considered a merger. We tried that. Another option is to sell. We considered that and think we've found a good buyer, people who know our industry and who know our markets and who care about our business and the people who work for us."

"And we have a plan — we are going to sell the company to you," Myers added in what was a surprise announcement to most of the associates gathered for the annual managers meeting.

Kevin Johnson, Kocolene's chief financial officer, said the \$2 million in state financing is just part of the purchase price for the 40 percent stake in the company, which is now in its fourth generation of family ownership. He declined to elaborate on the amount of other financing involved or the overall value of the company, which is a holding company for Ranger Enterprises, Shadowood Golf Course and retail convenience and discount tobacco stores operating as Fast Max and Smokers Host.

State Treasurer Richard Mourdock was on hand when Myers made the announcement in a meeting room at Shadowood on Seymour's east side.

"Employee-owned companies have an established track record of creating wealth for its employees, raising the entrepreneurial spirits from within and increasing companies' productivities overall," Mourdock said.

The former Vanderburgh County businessman told Kocolene workers he had been through development of an ESOP with one of his former employers in the mining industry. He said it was a successful venture that enabled him to reach a point where he could consider entering public service.

In an interview Thursday morning ahead of the announcement, Mourdock said he considers Kocolene's use of an ESOP as a sign of a recovering economy.

“The use of them really dried up when the economy turned down, but in the last five months three other companies have come to us to start this process,” Mourdock said. “I’m taking this as a sign that the economy’s improving.”

The state’s role in the process has the state buying a certificate of deposit at a reduced rate of interest from the financial institution providing the loan to Kocolene. In turn, the financial institution will reduce the interest rate on its loan to the ESOP company, Mourdock said.

The ESOP process for Kocolene started last year, with the plan taking effect Dec. 31, 2009, Myers said. It’s a lengthy process that requires the plan to meet state and federal tax laws.

Under the plan, Kocolene employees will be allowed to earn stock in the privately held company through what is essentially a retirement plan designed to invest in company stock.

How does an employee buy the stock? They don’t.

“What happens is, they earn stock over time,” Johnson said. “It’s like a pension plan based upon your time with the company and your compensation level. There’s a calculation.”

That calculation is based on an employee’s pay and overall employee compensation.

“At the end of each year, an employee earns some stock based on another year of service,” Johnson added. “The amount of stock released to the employee group each year corresponds with the amount of principal paid on the ESOP loans. It is like a home owner that builds up equity with the paying down of their mortgage.”

Employees in such programs sell the stock shares they accumulate upon retirement. Payments are made in cash, not shares of stock.

A trustee, in this case Daniel W. DeHayes, will oversee investment contributions to the plan, which will be held in a trust fund. DeHayes is a managing principal of DeHayes & Associates Inc. and with Meridian Consulting Group LLC.

Mourdock said he was pleased to see the Myers family retaining 60 percent of the company through the ESOP.

“It shows their commitment to stay interested in the success of the business,” he said.

Leading up to the announcement, Myers discussed his family’s situation as owners of the company.

“The company is in its fourth generation,” he said. “That’s rare, because over the years as companies continue on there can be pressures to be sold, to liquidate or to be merged with other companies.”

Kocolene was founded in 1938 by Myers' grandmother, Carrie M. Myers, and grew under leadership of his father, Francis "Pat" Myers. Gary Myers and his brother, Bob Myers, have served as company leaders since.

Also on hand for the announcement Thursday were Seymour Mayor Craig Luedeman and Jim Plump, executive director of Jackson County Industrial Development Corp.

#### About Kocolene

Kocolene Development Corp. is based in Seymour, dating back to its founding in 1938 by Carrie M. Myers.

It is a holding company for Ranger Enterprises, Shadowood Golf Course and 32 retail convenience and discount tobacco stores operating as Fast Max and Smokers Host.

Ranger Enterprises is a warehousing-logistics-recycling business with 700,000 square feet of warehouse space.

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