

Pizzagalli Construction

Testimony of Tom McCabe, August 26th, 2010

Montpelier, Vermont State House

Employee owners at Pizzagalli Construction celebrated fifty years of business spring of 2008. The company was founded and continues to be headquartered in Vermont. It has grown from humble beginnings with two young brothers installing a flagpole foundation in Middlebury, Vermont, to regularly employing nearly a thousand people who constructs buildings and plants throughout the United States.

In 1998, the founders began to transition management of the company to a new generation of leadership and in 2001 formed an ESOP to transition ownership to the employees. In 2009, the company became 100% employee owned.

The founders decided to sell the company to the people who had helped make their business a success rather than to an outside firm. They wanted the employees to reap the benefits of ownership, to continue what they had helped create, and to have control over their destiny.

Employee-ownership has become a foundational element of who we are and the decision we make every day. Because employee-owners share in the benefits of company success, they have come to understand what they do directly impacts the company and what impacts the company impacts on them.

Several examples may help. We made presentations a few years ago in an effort to help employees understand how they could make a positive impact on the value of the company. We compared the increase in net income of saving 1/3 of a penny on every dollar spent in the field versus saving 10% of our overhead costs. In essence, saving a 1/3 of a penny on every dollar spent in the field increased our profitability over 20% whereas saving 10% on overhead only marginally increased profitability.

One of our vice presidents was visiting a project a few months after the presentation. He noted three craft workers moving rapidly across the project. The health and safety of our employees is of upmost importance so the vice president yelled out to these men that they needed to slow down and think safety first. The three walked over to the vice president and politely told him that they were just working on their 1/3 of a penny.

My second example is about our health and wellness program. Employee ownership helps people have a greater sense of control over their company, their jobs, and their self. Because we are constantly talking about how the things they do have an impact on them, from a work and company standpoint, we used this same concept to develop and promote a world class health and wellness program in which our owners are taking significant responsibility for their own health.

Prior to implementation of the program, 45% of our employees over a two-year period did not use the healthcare systems at all. These employees did not get a physical, mammogram, colonoscopy... nothing. I contrast that with what is happening today, just three years after implementing the program. Over 90% of our employees identified by an independent party as being at high risk for future health problems are engaging with an independent professional health coach provided at no cost to the

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employee. This is not a doctor visit to deal with sickness. It is a visit to a healthcare professional by someone who is not sick and wants to stay that way. We have seen the number of employees with high cholesterol drop 12% and obesity is down 5%. Most impressively, our cost per month per employee has not increased in three years.

For my final example, I'll use overall company performance as it translates into an employee owner's stock price and retirement benefit. We have had our best years, in terms of bottom line results, during 2007, 2008 and 2009. It appears we are on schedule to have a similar year in 2010. While the rest of the stock market has been faltering, we have thrived and flourished. I attribute much of this success to owners who are ensuring our engine is firing on all cylinders.