

Written Testimony by Steven Voigt, CEO King Arthur Flour Company, Inc.

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King Arthur Flour is America's oldest flour company, tracing its history back to 1790, the year George Washington delivered the first State of the Union address. Building on these 220 years of experience, King Arthur's leadership believes our next 220 years need to be rooted in employee ownership. Similarly, we believe that broader employee ownership will make America stronger.

King Arthur Flour is the #1 flour brand in the New England grocery trade, and the #1 whole wheat, bread and organic flour in the United States. Our growing catalog and web business carries high quality specialty flours, mixes, ingredients, utensils, and hundreds of other baking-related items and information to help create great baking experiences. All this, a bakery, café and education center is available at "Camelot", our retail store in Norwich, Vermont.

In the early 1990s, with less than 20 employees we began using open book and participative management. The refrain was 'act like an owner', so when in 1996 Frank Sands, fifth generation owner decided to sell part of his company to the employees, it seemed like a natural. ESOP for us was part succession strategy and part foundation for the type of workplace we were striving to build. The initial experience with ESOP went well and in 1999 a second block of stock was sold to the now majority-owner ESOP. In 2004, the company became 100% owned by its ESOP and less than a year from now, the debt that financed the ownership transition will be completely paid down. Today King Arthur employs 180 year round with seasonal employment bringing that total up to 400.

Recent refinements to the ESOP includes dropping number of hours for eligibility from 1000 to 800 to permit more returning seasonal workers who are so key to our success during the busy holiday period to participate in the ESOP as well. We often find some of our best regular workers from the seasonal pool.

Employee ownership suits us well. We have been growing 16% annually over the past 10 years, to \$80 million, and are among the fastest growing companies in Vermont over longer time frames. King Arthur flour is now available in grocery stores in all 50 states and we are bringing more great products to consumers all the time such as the only unbleached cake flour and a line of gluten free mixes that actually taste good.

King Arthur is a mission driven company. We have a higher amount of the creative energies of our employees because they care for the futures of their friends at work and their larger families and the vision of our company. We do the really hard stuff as a matter of course; such as balancing goals like: work-life balance, small-town living, employee ownership, open-book transparency in both governance and communication to employees, and the environment, with on the other hand, ambitions for: high long-term profitability and growth, hard work, growing our market share, exacting professional standards, sophisticated analysis, and tough-minded evidence-based decision making.

Our employee-owner productivity is strong. We think about improvements all the time. We are a brand built around consistent quality, so building better quality management systems, not just 'taking costs out' fits our definition of productivity. Our high bar for quality extends beyond product to the information and resources we provide people who bake, and by extension to the team we hire and motivate to make this all happen. When this is working we have near zero turnover. Overall, we have maintained a less than 3% turnover over long periods of time.

The growth and success of King Arthur Flour has created opportunities for many internal promotions and career advancement and hence better compensation. The larger business base increases the dollar benefit of employees' improvement ideas, justifying higher wages. Complementing market competitive wages is the strong upside potential from both King Arthur stock and annual profit sharing.

See www.kingarthurfLOUR.com for more background.