

US Senate Committee on Health, Education, Labor and Pensions
Investing in American Workers: The Benefits of Expanding Employee Ownership
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Written Testimony

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Our Mission - "We are in business to spread the joys and rewards of gardening, because gardening nourishes the body, elevates the spirit, builds community, and makes the world a better place. We are the market leader in developing and marketing innovative, earth-friendly products and information that help people garden more successfully."

Gardener's Supply was founded in 1983 by Will Raap and a handful of enthusiastic Vermont gardeners. Today, we serve millions of gardeners nationwide offering everything from seedstarting supplies and garden furniture to flower supports and garden carts. As our company grows, we remain passionately committed to providing garden-tested, earth-friendly products that will help our customers have more fun and success in their gardens. We are a direct marketing company selling through our printed catalog and our on-line website.

We have four locations in Vermont which include a manufacturing facility in Georgia, Vermont, a Distribution Center in Essex, Vermont, a Retail Store, Customer Contact Center and Administrative offices in Burlington, Vermont and a Retail Store in Williston, Vermont. In 1983, we started with 10 employees. We currently have 275 regular employees and employ over 100 seasonal employees.

Employee ownership has been a part of our business plan since the beginning. Although Will Raap was in his mid- 30's when he started Gardener's Supply and not thinking of succession, he already believed in shared ownership. He wanted to share ownership with all employees with the belief that if each of us has an ownership stake, we will be more committed, more productive and more invested in the success of the company. Ultimately, 25 years later, employee ownership became the vehicle for succession planning for Will.

In 1987, Gardener's Supply started an Employee Stock Ownership Plan (ESOP). Over the next 12 years, as profits allowed, the ESOP purchased small amounts of stock increasing the ESOP ownership to 19%. In 1999, the ESOP made its first leveraged (bank financed) transaction increasing ownership to 30%. In 2006, the ESOP made its next leveraged transaction to 45% ownership. Now, 22 years later, the ownership transition changed from a sharing of ownership with Will to a succession transition. In December 2009, the ESOP bought the remaining stock (through both bank and seller financing) and Gardener's Supply became proudly 100% ESOP owned.

When Will Raap considered his personal succession plans and desire to get liquidity out of his lifelong investment in building Gardener's Supply, we looked at all of the options in front of us. We looked at

bringing in outside capital, being purchased, a management buyout and of course, employee ownership. We knew that if we were to be purchased by an outside company, the likelihood of jobs remaining in Vermont would be small. The loss of these jobs would have been devastating to our community. We knew both our Customer Contact Center and Distribution Center, in the least, would be moved out of Vermont and consolidated. We wanted to stay in Vermont, we wanted to have control of our destiny, we wanted to keep our jobs and we wanted to continue the great company we created. Employee ownership was the only answer for us.

In addition to being the #1 gardening direct marketing company in the country, we are nationally known for our innovative and participatory corporate culture. We have an open book policy – we share financial information in many forms, we have monthly staff meetings, our President holds annual Town Meetings, we call on our employees to help us in tough times and we are always asking for ideas for continuous improvements. We ask for feedback, we listen to feedback and we take action on that feedback. Employee ownership is the key to creating an engaging and fulfilling workplace for our employees and for the company getting maximum input, commitment and contribution from all.

Employee productivity and satisfaction is high and employee ownership is the key reason why. We are always finding ways to improve our processes. And, we share the gains with our employees. We have a generous cash profit sharing program for all employees. A portion of the program is paid equally. This gives a higher percentage of profit sharing to the lowest paid employees recognizing it is harder to live at the bottom of the pay scale than the top. In addition, the contributions to their retirement from the ESOP will be significantly higher than a normal employer match to a 401(k). Because employees directly benefit as owners from an increased share price, they naturally think and act like owners and they receive benefits that exceed those paid to employees in our non-employee owned peer companies.

For us, employee ownership is at the heart of our corporate culture. We have won many awards over the years for our communications excellence and employee satisfaction. We have won the Annual Award for Communications Excellence from the ESOP Association, Vermont's Best Places To Work Award, Governor's Work Site Wellness Award, the Chamber of Commerce Entrepreneurial Spirit Award, the Burlington Business Association's Business of the Year award and Will Raap has won numerous awards for his personal contributions to our community.

The effectiveness of our employee ownership culture is evidenced in our low turnover rate and high rate of internal promotion. Our turnover rate has ranged between 4-6% over the past 5 years, a significantly lower rate than national averages over any industry but especially in the direct marketing industry. We have had strong growth throughout our history. Our employee base has increased from 10 to 275. We have a strong commitment to internal promotion. The majority of our positions are filled internally so the opportunity for growth in both position and compensation has been positive for our employees.

We are a company committed to improving the world through gardening. We donate 8% of our profits to support programs and organizations that are using gardening to improve the quality of people's lives and the health of our environment. We started a Garden Crusader Award which recognizes people

across the country who are using gardening to improve the quality of life in their community. In Vermont, our company's local donations program helps support more than 50 organizations. We also founded, and continue to be a lead sponsor for the Intervale Center, which oversees 350 acres of farmland and a wide range of urban farming initiatives in Burlington, Vermont.

We are a company committed to doing the right thing in all parts of our business. Employee ownership has been a cornerstone to our success and to the future of our business. Becoming employee owned has not been easy. When we started, technical advice and information about ESOPs was not readily available. Bank financing has been challenging to get. We have had an ESOP for many years and have learned the ins and outs of getting to 100% ESOP ownership. However, new companies need access to resources to get them started. Having a state-wide employee ownership center and having access to funding can be a key piece for a company to get started.

As a company that worked hard to get to 100% employee ownership, we see the pressing need and support the bills Senator Sanders is proposing.

Thank you for the opportunity to share our story.

For more information about our company, please visit www.gardeners.com