



Worker Owned Cooperative... What Are We... Communists???

Effective January 1, 2016, Lodi Farms Ltd officially became a worker owned cooperative. The path to this decision as well as the mechanics to execute will be detailed in a series of articles here in *The Michigan Landscape*.

BY DAN RIDDLE, LODI FARMS LTD

As 50-somethings, my wife Jane and I were starting to look toward the future of our business. We have one daughter. Rachel is married to a lawyer and is finishing law school herself next year. Rachel had been involved in the business in her teens, but chose a different path in adulthood.

Lodi Farms is what it is today largely because of a committed team of long-term employees. As Jane and I passed the 50-year mark and celebrated 30 years of marriage, we started talking more and more about transitioning stock to our employees.

2007 to 2011 were difficult years financially for Lodi Farms and did not seem like a good time to encourage business ownership for our employees. 2014 marked three strong years financially and we started looking at how to sell or gift stock to key employees.

There seemed to be more questions than answers. Who should we include? What was the value of the company? Should we sell them stock or offer as a gift? How much of the company should we retain? What restrictions of sale of stock did we need to protect the company from divorce or other potential transfer to unfriendly owners?

Like many in the industry we struggle to attract and keep long-term employees. We are always looking for ways to attract, reward and retain good people.

In my research, I ran across a radical idea... a worker owned cooperative. Living in Ann Arbor, I am familiar with the food co-op and the housing co-op. Even our Lender, Greenstone Farm Credit Services, is a lending cooperative. I had not had any experience with a "worker owned cooperative".

In a nutshell, a worker owned cooperative is a simplified version of an ESOP (Employee Stock Option Program). It is much simpler to set up, has little to no government regulation and yields tax deferred status for the selling owners as long as proceeds are reinvested in U.S. securities.

In a worker owned cooperative, members buy a share that entitles them to a vote in key business decisions as well as a proportional share of the profits based on their labor contribution to the company. The profits are largely retained in internal capital accounts for each employee. The mechanics will be detailed in a future article.

In order to understand how and why this seemed to be a good “fit”, I will share a brief history of Lodi Farms Ltd.

My wife Jane and I formed our first company in 1985; the name was Timberworks. I built a lot of treated 6x6 retaining walls back then! Jane was employed outside of the business with a steady paycheck. As the company and scope of work changed, so did the name. Timberscapes landscape contractors was formed in 1987. In 1989, our daughter Rachel was born and Jane left her job to join Dan full time in helping run the business. Timberscapes became Lodi Farms Ltd in 1993 to reflect the addition of a retail nursery and future plans to have more than one location.

Lodi Farms Ltd is now a diverse company including landscape contracting, retail and wholesale nursery and container grower all in Ann Arbor. We added a second location in 2002, purchasing a tree farm in Parma, MI from Onarga Nursery.

The three business names we have had all have one thing in common. The name of the owners is intentionally NOT included. This makes the entire package more marketable and easier to sell to a new owner when ready to retire or move on to something new.

As landscape professionals, we tend to be planners. When designing and crafting a new landscape, we plan for mature size of long-term plantings. We make sure that there is seasonal interest and contrast in colors and textures. We prepare the soil in planting beds by loosening the soil and adding necessary elements to ensure success of plantings. We lay a strong and firm foundation under patios and walls to ensure long-term strength.

A well-designed and properly installed landscape will add a great deal of pleasure for the homeowner and a great deal of value when the home is sold.

A well-run business with strategic planning will allow the owners to enjoy time at work and more importantly time away from work. Transitioning to new owners will not be a major task.

So, what are the steps that we have taken over the years that allow us to turn over our business to our employees?

Limit growth to 10% per year... any more and it is easy to start spending beyond your means and end up with lower profitability.

Make sure that if you get hit by a bus tomorrow, your family and company can survive without you.

Treat customers the way that you would want a contractor or sales person to treat your mother.

Hire good people, treat them well and do not expect them to do any task that you are not willing to do yourself. Practice servant leadership. Delegate responsibility and authority in equal measures. Always keep lines of communication open and let others know what you expect of them.

Within the last five years or so, the winter educational sessions at the GLTE have impressed a few more key elements that relate to the next chapter of my business and personal life. Make your business an asset that will work for you. Set goals...don't just dream. Ask yourself if it is a dream or a goal. If it is a goal, set a course to achieve that goal and make it a reality.

These are all pieces of the puzzle that have allowed Jane and I to hire the kind of people that work at Lodi Farms because they want to be a part of something that is more than just a paycheck.

Forming a worker owned cooperative to take over for us when we are ready to retire ensures that Lodi Farms will be a sustainable company for years to come. New employees are eligible for membership after a two-year probationary employment period. As members retire or move away, there is always a key group of employees there to move up and take on responsibility. This ensures that no one will

have to find a buyer for the company.

In the coming issues of *The Michigan Landscape*, I will detail the steps we took to find the right consultants (ICA Group in Brookline, MA) to help in making the transition. I will also highlight some of the reasons that a co-op was a natural transition for our company and how we introduced the concept to our key employees. Finally, I will touch on why it worked out to be financially advantageous for us as owners as well as our employees.

RECOMMENDED RESOURCES AND READING:

Companies We Keep by John Abrahms

ICA Group website: ICA-group.org

Ohio Employee Ownership Center: www.oecokent.org/

Feel free to contact me at dan@lodifarms.com or stop by Booth# 603 at the GLTE with any specific questions or comments about the process or to talk about employment at Lodi Farms Ltd.



Now: Dan and Jane Riddle at Lodi Farms | **A**

Then: Dan and Jane at the Feature Garden - Ann Arbor Flower Show in 1995, when they partnered with Matthaei Botanical Gardens to recreate Monet's Garden. | **B**

Then: The 18-acre property in 1985 | **C**

Now: Makes us smile knowing that 30 years of work will continue indefinitely with the transition to a co-op. | **D**