

# Braun & Steidl Architects

## Break New Ground

A groundbreaking ruling from the Ohio Board of Examiners of Architects has paved the way for broad-based employee ownership in professional architectural corporations in the state. The ruling was sought by Braun and Steidl Architects of Akron and Columbus OH, which was seeking to implement an employee buyout of founding partners. The State Board of Examiners of Architects requires that professional architectural firms must be owned by registered architects, but with its ruling that an ESOP can own up to 49% of the firm, it opens a way for the nonprofessionals in architectural firms to share in their growth and prosperity. State boards govern professional corporations, and this ruling by the Ohio Board of Examiners of Architects does not apply outside Ohio.

The groundbreaking ruling is a far cry from the intentions of Charles “Chaz” Schreckenberger and Robert “Rob” Habel, who initially did not intend to set up an ESOP at all. They were hoping to lead a management buyout of the retiring owners.

Braun & Steidl Architects was established in Akron in 1984 by partners Jack Braun and Doug Steidl. In 1994, they opened a Columbus office to create opportunities for growth for younger employees, and over the next few years, they offered ownership to five employees of the firm, including Chaz and Rob.

By 2002, the company had grown to 45 employees, and Chaz and Rob were asking themselves, “How do we take the company to the next level?” Jack and Doug were reaching an age

turning the day-to-day management over to the next generation. An appraisal revealed that the company had done well, making it too expensive for the younger partners to simply buy out the founders.

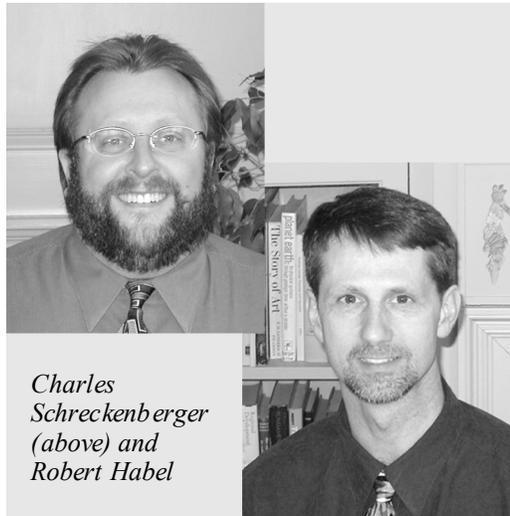
The first time that they considered the ESOP option, they rejected the idea, believing that the ESOP would not be well received by employees, and that it would unacceptably dilute management ownership. But they also recognized that they did not have

sufficient knowledge of ESOPs to make an educated decision.

Their fears were calmed when they better understood the rules and regulations and the tax incentives available to sellers, companies and employees. They worked with ESOP attorney Dale Vlasek of McDonald Hopkins and ESOP accountant Mike Pappas of Barnes Wendling, both of Cleveland, OH. The ruling Vlasek obtained from the state board provided a framework for

the buyout. Working with Dan Smith of Key Bank in Cleveland, they put together a financing package in which managers who were licensed architects bought 51% of the stock and the ESOP bought 49%. Chaz noted, “The demographics of the firm played a big role in adopting this approach. We do not have many people retiring in the next five years, so the ESOP repurchase obligation will be minimal in the early years when we’ll be paying off the ESOP loan.”

On December 26, 2002, Braun & Steidl Architects joined the ranks of ESOP companies. They view the ESOP as first and foremost a retirement plan to provide the most reward for people who stay at the company and contribute to its success. **OAW**



*Charles Schreckenberger (above) and Robert Habel*