SELLING TO YOUR EMPLOYEES AS AN

EXIT STRATEGY

FOR YOUR BUSINESS

Why should I consider converting my business?

You are able to create a flexible exit strategy and realize a fair sales price with tax advantages while taking care of your employees who helped build the business. Broad-based employee ownership sustains quality jobs, creates stronger businesses, and preserves your company's legacy.

ONLY 15% of businesses succeed to the next generation.

How are employee-owned businesses structured?

It is important to choose the form of employee ownership that is the best fit for you and your business. ESOPs and worker cooperatives have been around for decades. Worker coops are 100% employee-owned, and have democratic practices such as majority board representation built in to the structure. ESOPs can be fully or partially employee-owned, and Democratic ESOPs integrate employee voting and board representation.

How does employee ownership work as an exit strategy?

An owner sells the business or its assets to a new employee owned business of which the employees are members. Or, in the case of an ESOP, sells the company shares to a trust that acts on behalf of the employees. This sale is typically financed by debt (non-voting equity is possible in a worker coop transition). Then, the newly employee-owned company pays down the financing out of future profits.

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Let us guide you through the process.

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Realize market value with tax advantages.

Preserve your company's culture and its legacy in the community.

A GREAT SOLUTION FOR BUSINESSES OF ALL SIZES!

BUSINESSES

- Higher productivity & growth
- Lower employee turnover
- Improved lifespan
- Owner receives market value

COMMUNITIES

- Retain good businesses & jobs
- Experience greater civic engagement
- Circulate more money locally

EMPLOYEES

- Enjoy better pay & benefits
- Build assets & equity
- Have a voice in key decisions
- Grow leadership skills

EMPLOYEE OWNERSHIP MYTHS

Myth #1 – My employees can't run my company!

You're probably right, and nobody would expect them to. That's the job of the CEO / GM. Management will essentially stay the same as it is now; the primary difference is that there will now be a Board of Directors, which employee-owners elect, and a more participatory culture. Identifying the next CEO (whether internal or external) needs to be part of the plan.

Myth #2 – My employees don't want to buy the company.

Asking your employees if they want to buy the business is different from asking if they want to become one of many employee-owners. Describing what shared ownership looks like and answering their questions about this ownership model is key to helping them decide.

Myth #3 – My employees don't have enough money to buy the company.

There's no expectation that the employees bring the total amount of cash to the table to buy the business. Instead, depending on the form of employee ownership, they may bring an equity 'buy in' whose combined value is typically between 1-10% of the total purchase price.

Myth #4 – It sounds hard!

Truth be told, any business succession option takes effort. But you can get help, which makes it easier.

STEPS TO TAKE

1. EXPLORE

- Research the idea
- Clarify your objectives
- Get people interested

2. ASSESS

- Assess feasibility
- Engage key employees
- Develop roadmap & timeline

3. PREPARE

- Secure valuation
- Identify financing options
- Develop terms of sale & bylaws

4. CONVERT

- Finalize the sale
- Elect officers of the board
- Approve the bylaws

Visit PROJECT-EQUITY.ORG for in-depth case studies, to learn from other business owners, and for more information about employee ownership succession.

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