

EEO

SUMMIT



EMPLOYEE OWNERSHIP

EquitySummit

Los Angeles, CA | May 6-8, 2024



TOOLKIT

FOR BUILDING RESILIENT LOCAL ECONOMIES
WITH EMPLOYEE OWNERSHIP



{ Project Equity }

department
of economic
opportunity
COUNTY OF LOS ANGELES

W.K.
KELLOGG
FOUNDATION

Unlock
Ownership
Fund



Dear Colleagues,

It is our pleasure to welcome you to Project Equity's second annual Employee Ownership Equity Summit. Over the next few days we hope to inspire, build connections and deepen our shared understanding of how to unlock the power of employee ownership in our communities.

We see an urgent need for increased resiliency among small businesses, for much deeper employee engagement and for scalable strategies to address massive and growing wealth, income and opportunity gaps, particularly along racial and gender lines.

Employee ownership can address these challenges by giving business owners a ready buyer for their companies and giving workers a voice and a meaningful stake in the success they work so hard to create. It is a change that lifts up workers and their families, strengthens businesses and resonates throughout entire communities.

Working together, we can leverage employee ownership to better serve businesses and communities while building more resilient local economies. During the Summit, we will explore practical steps leaders like you can take to advance employee ownership in your practice, your field or your region and explore new ideas for greater, sustained impact.

We appreciate your leadership and look forward to our time together and where we go next.

Sincerely,

Evan Edwards
Chief Executive Officer, Project Equity



Attendees from the 2023 Employee Ownership Equity Summit

Thank you to the following partners that have made the Employee Ownership Equity Summit 2024 possible.





Attendees from the 2023 Employee Ownership Equity Summit

Table of contents

How to use this workbook	5	Business advisor workbook	58-84
Agenda	6-10	Module 1: An introduction to employee ownership	59-61
Hotel maps	11-12	Module 2: Employee Stock Ownership Plans	62-63
Speakers	14-27	Module 5: Worker cooperatives	64-65
Project Equity staff	28	Module 6: Employee Ownership Trusts	66-67
Partner workbook	29-56	Module 3: Financial analysis and readiness assessments	68-72
Step 1: Assess the opportunity	31-33	Module 4: Financing	73-75
Step 2: Build awareness	36-42	Module 7: Legal and regulatory considerations	76-84
Step 3: Demonstrate impact	43-47	Module 8: Implementation and ongoing support	85-87
Step 4: Embed into systems	48-52		
Building an ecosystem	53-54		
Creating an action plan	55		
How Project Equity can help	57		



Alison Lingane, Co-founder, Chief Innovation and Investment Officer at Project Equity, speaking at the 2023 Employee Ownership Equity Summit

How to use this workbook

We provide this workbook to help you maximize the learning and networking opportunities. Within its pages you will find a wealth of information and thought-provoking prompts designed to facilitate reflection and idea generation. As you navigate through the Summit, jot down your thoughts, insights and action items in the dedicated spaces provided.

This information is only the tip of the iceberg.

Use the links provided in this document to access additional resources for further exploration and learning.

We also include networking prompts to facilitate meaningful connections with fellow attendees and others in the field. These connections are critical. Our goal is to build a network of support for all of us who are leveraging the power of employee ownership across the country. If you have not already, please also join the Summit LinkedIn group.

Finally, we want you to capitalize on the momentum of this Summit. We recommend blocking off some time on your calendar next week to review your notes, identify key ideas or action items and reach out to those with whom you connected or wish to. As always, please reach out to members of the Project Equity team if you have any questions or suggestions.

Agenda

All sessions below will take place at the Line Hotel | 3515 Wilshire Blvd | Los Angeles, CA

MAY 6 MONDAY

4:00 - 6:00 PM | Kiss Kiss Bang Bang

FULL GROUP

EMPLOYEE OWNERSHIP EQUITY SUMMIT: Kick-off reception

6:00 - 8:00 PM | Kiss Kiss Bang Bang

FULL GROUP

OPTIONAL FILM SCREENING of *It's Basic* documentary

MAY 7 TUESDAY

8:00 AM | Gramercy Foyer

FULL GROUP

BREAKFAST OPENS

8:30 - 10:00 AM | Gramercy Ballroom

FULL GROUP

TUESDAY OPENING SESSION

Opening remarks from Evan Edwards, CEO, Project Equity, featuring a moderated discussion between J.J. McCorvery and Mayor Michael D. Tubbs & stories of employee ownership from CT3 and Pixelspoke

10:15 - 10:30 AM | Transition / break

10:30 - 11:30 AM | Shatto Ballroom

CPE / ADVISOR TRACK BREAKOUT

MODULE 1: Introduction to employee ownership for business advisors

Presented by: Alison Lingane, Co-founder, Project Equity

10:30 - 11:30 AM | Gramercy Ballroom

PARTNER TRACK BREAKOUT

Introduction to employee ownership for public & nonprofit partners

Presented by: Annie Palacios & Sarah McBroom, Project Equity

11:30 - 11:45 AM | Transition / break

11:45 - 12:45 PM | Gramercy Ballroom

FULL GROUP

LUNCH & EO INSPIRATION AWARD

Agenda

All sessions below will take place at the Line Hotel | 3515 Wilshire Blvd | Los Angeles, CA

MAY 7
TUESDAY

12:45 - 1:00 PM | Transition / break

1:00 - 2:00 PM | Studio 6A

CPE / ADVISOR TRACK BREAKOUT

MODULE 2: ESOPs - Employee Stock Ownership Plans

Presented by: Brian Khorsand, President of Khorsand ESOP Advisory & Stacey Smith, Project Equity

1:00 - 2:00 PM | Shatto Ballroom

PARTNER TRACK BREAKOUT

TOOLS TO ADVANCE EO: Building awareness

Presented by: Dallas Shelby, Project Equity

1:00 - 2:00 PM | Gramercy Ballroom

PARTNER TRACK BREAKOUT

TOOLS TO ADVANCE EO: Building pipeline

Presented by: Annie Palacios & Jennifer Bryant, Project Equity

2:00 - 2:15 PM | Transition / break

2:15 - 3:15 PM | Studio 6A

CPE / ADVISOR TRACK BREAKOUT

MODULE 3: Financial analysis and readiness assessment

Presented by: Sulayman Nyang Jr., CEPA, Financial Advisor, Edward Jones

2:15 - 3:15 PM | Shatto Ballroom

PARTNER TRACK BREAKOUT

TOOLS TO ADVANCE EO: Where to find loan capital for EO transitions

Presented by: Alison Lingane, Co-Founder, Project Equity

2:15 - 3:15 PM | Gramercy Ballroom

PARTNER TRACK BREAKOUT

TOOLS TO ADVANCE EO: Advocacy & policy

Presented by: Hilary Abell, Co-Founder, Project Equity

3:15 - 3:30 PM | Transition / break

Agenda

All sessions below will take place at the Line Hotel | 3515 Wilshire Blvd | Los Angeles, CA

MAY 7
TUESDAY

3:30 - 4:30 PM | Studio 6A

CPE / ADVISOR TRACK BREAKOUT

MODULE 4: Financing

Presented by: Steven Suckow, Director Corporate Advisory, BMO Harris & Stacey Smith, Project Equity

3:30 - 4:30 PM | Gramercy Ballroom

PARTNER TRACK BREAKOUT

GOVERNMENT ROUNDTABLE: How local government can advance EO

Featuring Dorothy George, City of Birmingham, AL, Francisca Villegas, City of Tucson, AZ, Ikram Koliso, City of Saint Paul, MN, Kelly Lobianco, Los Angeles County, CA & Jennifer Bryant, Project Equity

3:30 - 4:30 PM | Shatto Ballroom

PARTNER TRACK BREAKOUT

INVESTOR ROUNDTABLE: How investors can advance EO

Featuring Alison Lingane & Courtney Kemp, Project Equity, Demetric Duckett, Managing Partner at Known & Erik Schultz, SK2 Fund

3:30 - 4:30 PM | Studio 8A

PARTNER TRACK BREAKOUT

FUNDER ROUNDTABLE: How philanthropy can advance EO

Featuring Joe Antolín, Asset Funders Network

4:30 - 4:45 PM | Transition / break

5:00 - 7:00 PM | Breakroom 86

FULL GROUP

RECEPTION & DINNER

Agenda

All sessions below will take place at the Line Hotel | 3515 Wilshire Blvd | Los Angeles, CA

MAY 8
WEDNESDAY

8:00 AM | Gramercy Foyer

FULL GROUP

BREAKFAST OPENS

8:30 - 9:30 AM | Gramercy Ballroom

FULL GROUP

EO POLICY & CURRENT MOMENTUM

Featuring a moderated discussion with Hilary Abell, Project Equity, Supervisor Holly J. Mitchell & Principal Deputy Assistant Secretary Ali Khawar

9:30 - 9:45 AM | Transition / break

9:45 - 10:45 AM | Studio 6A

CPE / ADVISOR TRACK BREAKOUT

MODULE 5: Worker cooperatives

Presented by: David Gray & Stacey Smith, Project Equity

9:45 - 10:45 AM | Gramercy Ballroom

PARTNER TRACK BREAKOUT

THE ALTERNATIVE: How to Build a Just Economy

Featuring Nick Romeo, Journalist, Critic and Essayist

10:45 - 11:00 AM | Transition / break

11:00 - 12:00 PM | Studio 6A

CPE / ADVISOR TRACK BREAKOUT

MODULE 6: EOTs - Employee Ownership Trusts

Presented by: Courtney Kemp & Stacey Smith, Project Equity

11:00 - 12:00 PM | Gramercy Ballroom

PARTNER TRACK BREAKOUT

ACTION PLANNING TO ADVANCE EO

Facilitated by: Sarah McBroom, Project Equity

12:00 - 12:15 PM | Transition / break

Agenda

All sessions below will take place at the Line Hotel | 3515 Wilshire Blvd | Los Angeles, CA

MAY 8
WEDNESDAY

12:15 - 1:15 PM | Gramercy Ballroom

FULL GROUP

LUNCH & EO SHOWCASE

Moderated by David Gray, Project Equity, and featuring local stories of employee ownership from Maximum Fun, Giroux Glass & Proof Bakery

1:15 - 1:30 PM | Transition / break

1:30 - 2:30 PM | Studio 6A

CPE / ADVISOR TRACK BREAKOUT

MODULE 7: Legal and regulatory considerations

Presented by: Michael Pasahow, Counsel, Faegre Drinker & Brett Heeger, Founding Partner, Gundzik Gundzik Heeger LLP

2:00 - 4:00 PM | Offsite

PARTNER TRACK SITE VISIT

OPTIONAL PICO UNION WALKING TOUR

2:45 - 4:00 PM | Studio 6A

CPE / ADVISOR TRACK BREAKOUT

MODULE 8: Implementation and ongoing support

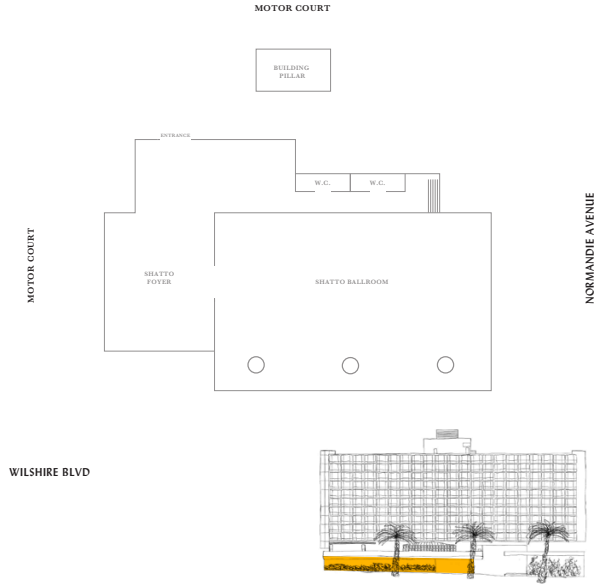
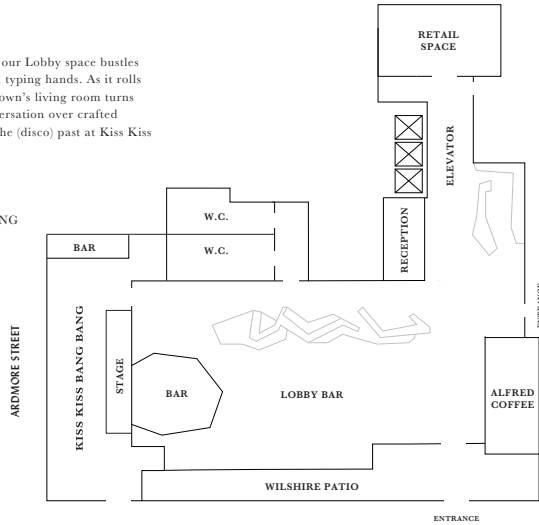
Presented by: David Gray, Project Equity

Hotel maps

STREET LEVEL

Morning to afternoon, our Lobby space bustles with cups of coffee and typing hands. As it rolls into nighttime, Koreatown's living room turns into a space for a conversation over crafted cocktails or a blast to the (disco) past at Kiss Kiss Bang Bang.

ALFRED COFFEE
LOBBY BAR
KISS KISS BANG BANG



events@thelinhotel.com

SECOND LEVEL

From intimate weddings to grand events for up to 800 people, we invite you to imagine your event with a particular space in mind or flowing seamlessly throughout the entire floor. With multiple venues to fit every unique need and guest size; from our outdoor pool deck, a spacious ballroom with independent access to an indoor/outdoor foyer and garden, a lush greenhouse restaurant, and a speakeasy bar that takes you back to 1986--the second level is your creative playground.

GRAMERCY BALLROOM

FULL: 77 x 53'
CAPACITY: 425

GRAMERCY FOYER

FOYER 1: 26 x 24
CAPACITY: 60

FOYER 2: 53 x 17

CAPACITY: 100

GRAMERCY GARDEN

63 x 13'
CAPACITY: 100

GRAMERCY TERRACE

46 x 16'
CAPACITY: 70

POOL DECK

73 x 44'
CAPACITY: 150

OPENAIRE

60 x 30'
CAPACITY: 140

OPENAIRE EAST

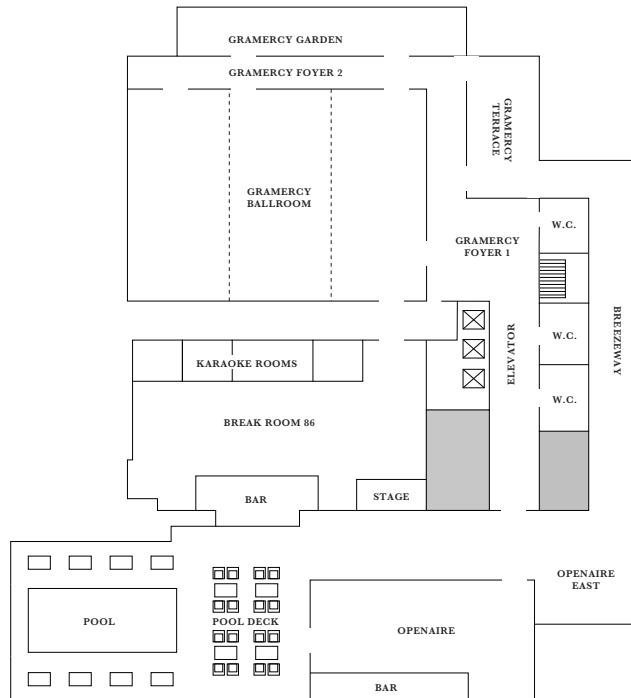
25 x 20'
CAPACITY: 75

BREAK ROOM 86

1,694 Sq. Ft.
CAPACITY: 250

BREEZEWAY

80 x 12'
CAPACITY: 150



events@thelinhotel.com

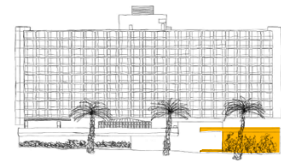
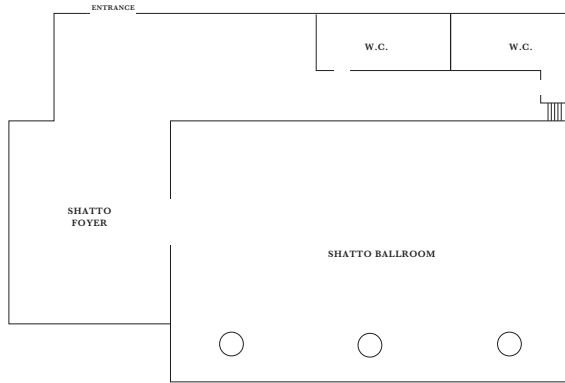
Hotel maps

IVY BUILDING I

With its soaring 16-foot ceilings, the Shatto Ballroom works equally well for elegant social events or corporate meetings. At 2,440 sq. feet, the ballroom can accommodate events up to 250 people and meetings for 200. The Shatto Foyer provides flexible space for food and beverage, registration desks, or exhibits.

SHATTO BALLROOM
61 x 40'
CAPACITY: 250

SHATTO FOYER
40 x 22'
CAPACITY: 90



events@thelinehotel.com

STUDIOS

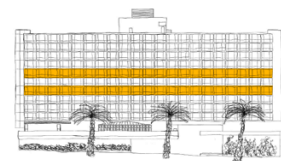
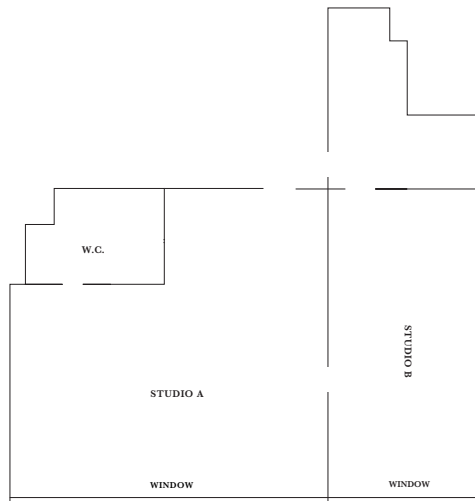
Our studios are light-soaked boardrooms located on the 6th and 8th floors of the hotel. Featuring floor-to-ceiling windows offering views of the surrounding neighborhood, each studio space provides an ideal atmosphere for intimate meetings.

STUDIO 6A
25 x 14'
CAPACITY: 50

STUDIO 6B
24 x 12'
CAPACITY: 30

STUDIO 8A
25 x 14'
CAPACITY: 50

STUDIO 8B
24 x 12'
CAPACITY: 30



events@thelinehotel.com



Speakers

Speakers



HILARY ABELL

Co-founder, Chief Policy and Impact Officer, Project Equity

Hilary was bit by the cooperative bug when she was a worker-owner at Equal Exchange in the 1990s and forever changed by witnessing how Latin American farmers used coops to transform their communities. After a decade of international community empowerment work, Hilary has been advancing cooperative development and employee ownership in the U.S. since 2003. As Executive Director of WAGES (now Prospera), she led the organization in creating a network of five worker-owned green cleaning businesses that sustained 100 healthy, dignified jobs for low-income women. Worker-owners increased their family incomes by 40-80%, built assets through robust profit sharing and gained business skills and social capital.

In co-founding Project Equity, Hilary hoped to make these profound benefits of employee ownership a reality for millions more workers all over the country. For her work with Project Equity, Hilary was awarded Presidio Graduate School's Big Idea Prize (2013), an Echoing Green Fellowship (2014), a 2016 Local Economy Fellowship and a 2020 Executive Fellowship with the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University.



JOE ANTOLÍN

President and CEO, Asset Funders Network

Joe Antolín serves as the President and Chief Executive Officer of Asset Funders Network (AFN), the leading grantmaker membership organization focused on advancing equitable wealth building and increasing economic mobility across the nation and in regional and state contexts. In his role, he guides AFN's focused efforts to engage philanthropy to increase economic security, achieve systemic reform to establish greater economic justice while addressing racial, ethnic and gender wealth divides. Previously, Joe led a consulting practice, served in several executive leadership positions in nonprofit and state government and was an affirmative civil rights and benefits reform litigator. He remains licensed to practice law as a member of the Illinois Bar. He serves in leadership positions on the boards of the Illinois Public Health Institute in Chicago and Three Sisters Kitchen in Albuquerque.



DR. KRISTYN KLEI BORRERO
Co-founder, CT3 Education

Dr. Kristyn Klei Borrero is an accomplished educator and coach who has committed herself to improving the education of students in traditionally disenfranchised schools and has witnessed education through the lens of a classroom teacher, principal, area superintendent and co-founder of CT3, an employee-owned business. She spent more than a decade leading turnaround initiatives for underperforming schools in Oakland and East Palo Alto, California. Under her supervision, Kristyn propelled schools to significantly exceed all state academic benchmarks, organizational fundraising and financial goals, teacher retention rates and family and student satisfaction ratings. Kristyn co-founded CT3 and led the research and development of No-Nonsense Nurturer® and Real Time Teacher Coaching®, two of the most innovative, transformative professional development models in education today. In addition, Real Time Leadership Coaching was born out of her work as a principal supervisor and now supports leaders across the country.

Kristyn is the author of the book *Every Student, Every Day: A No-Nonsense Nurturer Approach to Reaching All Learners* and several journal articles. She has served as an Adjunct Professor in Educational Leadership and Teacher Education at San Jose State University and the University of San Francisco and Guest Lecturer at Stanford University on school reform, educating immigrant students and setting high academic standards in historically marginalized communities.

Kristyn received her bachelor's degree from Miami University, her Masters of Education in Educational Administration from Xavier University in Cincinnati, OH and earned her Doctorate in Education Leadership from the University of California, Berkeley.



JENNIFER BRYANT
Program Manager, Black Employee Ownership Initiative, Project Equity

Jennifer has worked for several years to grow the employee ownership ecosystem in the Washington, D.C. area. She is a founding member of the D.C. Cooperative Stakeholders Group, co-created the D.C. Co-op Impact Grant, and led the launch of the Greater Washington Center for Employee Ownership. As the Program Manager for the Black Employee Ownership Initiative at Project Equity she's committed to working alongside local ecosystem partners to advance employee ownership as a wealth-building strategy for Black business owners and Black workers.

Jennifer has presented on employee ownership at the NCBA-CLUSA Co-op Impact Conference, the Rutgers University Online Education Program and to local government leaders through the Democracy at Work Institute and National League of Cities Shared Equity in Economic Development (SEED) Fellowship. She holds a B.A. from Howard University and a M.A. from St. John's University. In her free time Jennifer enjoys live music, indie films and playing Wordle.



DEMETRIC DUCKETT
Managing Partner, Known

Demetric is Managing Partner at Known and is a thought-leader in the domestic impact investing field, accelerating the adoption of innovative financing for the benefit of BIPOC and low-income people and the communities in which they live. Before joining Known, Demetric was Managing Director at Living Cities where he oversaw a strategic capital portfolio centered on developing and deploying innovative investment vehicles to support the new majority population of this country, with a focus on closing racial income and wealth gaps. He also has led various Living Cities programmatic priorities, including the Integration Initiative, Shared Prosperity Partnership (SP2), and the Catalyst family of funds.

Prior to joining Living Cities, Demetric was Senior Vice President of Business Innovation and Resource Development for TruFund Financial Services, a CDFI based in New York City. At TruFund, he directed national business growth strategy, developed and oversaw strategic partnerships, and elaborated new lending programs and product opportunities.

Prior to TruFund, he was Vice President for Capital Access Programs at Carver Federal Savings Bank where he developed industry-leading M/W/BE capital access programs; Vice President of Community Development at Bank of America where he worked closely with nonprofit and government entities to promote economic and community development in underserved neighborhoods; and Vice President and Global Relationship Manager in Multinational Lending at BankBoston where he managed a \$2 billion portfolio spanning 16 countries. He began his finance career as a Senior Credit Analyst at PNC Bank.

Demetric holds a bachelor's degree from Furman University and an I.M.B.A. from the University of South Carolina.



EVAN EDWARDS
Chief Executive Officer, Project Equity

Evan began his career as the International Business Manager at an early leading technology start-up, Quarterdeck Corporation. Bitten by the start-up bug, he spent following years in leadership and consulting roles at a variety of early stage enterprises including Bid.com (Northcore Technologies), Mediaseek Technology and Planesia Corp. Guided by a shift in personal and professional priorities Evan moved into the nonprofit sector as Executive Director at YMCA Corporation of Los Angeles, leading the turnaround of an under-performing business unit. Driven by the value of social enterprises and the vision of a generative economy, Evan's work with Project Equity creates strong collaborative partnerships across sectors. Evan is a graduate of Northwestern University in Evanston, IL (a proud supporter of Wildcat football!), and has certification from Stelter in Professional Fundraising Management. When not working he's playing sports, walking his dogs or cooking a great meal from scratch.



DOROTHY GEORGE

Small Business Relationship Coordinator, City of Birmingham's Office of Business Diversity and Opportunity

Dorothy George serves as the Small Business Relationship Coordinator for the City of Birmingham's Office of Business Diversity and Opportunity. She is responsible for building, managing and growing relationships with the City of Birmingham's small business owners and the ecosystem partners. A lifelong learner she comes with an extensive background in small business consulting, economic development, planning, marketing and education. She is a graduate of The University of Alabama in Tuscaloosa. She holds a Bachelor of Science degree in Finance. She has a Master's Degree in Marketing from Full Sail University and a M.B.A. from the University of Phoenix. She is a native of Bessemer, Alabama.

Dorothy's interests, talents, and business acumen all tie in together through her passion for media and marketing combined with a love for studying the structure of companies and business strategy. She has a heart for all things creative, cultural arts, fine arts and technology. In her spare time she is mentoring youth, playing for church, traveling or doing anything that will allow her to try something new whether it be an experience, people or food.



DAVID GRAY

Director, Client Services, Project Equity

After several years in nonprofit leadership, David started his career as an entrepreneur by opening a fair-trade retail store with Ten Thousand Villages, in Montreal, Canada. He later opened Full Circle Thrift, a boutique second-hand store in Pasadena, CA. Most recently, David led business development for one of Habitat for Humanity's networks of ReStores in the San Francisco region. David is passionate about addressing the unique issues of businesses in transition. He excels in developing strategic governance plans that support growth and frees up vision holders to maximize their time and energy. With training and experience in conflict mediation, David helps groups have difficult conversations that lead to creative solutions. His observation skills and interpersonal dynamics build trust, develop leadership, and cast a vision for viable new realities. When not working, he loves cooking for his family and planning unique trips to explore new places.



BRETT HEEGER

Founding Partner, Gundzik Gundzik Heeger LLP

Corporate and securities attorney focused on community wealth building and social-impact minded businesses and leader of a law firm operating as a worker-owned cooperative. Strong experience leveraging legal tools to support client goals; from profit and growth to impact and inclusion. Regular presenter and writer on employee ownership matters for both legal and lay audiences.



COURTNEY KEMP
Senior Client Services Manager, Project Equity

Courtney has experience working with a diverse nonprofit, foundation and private stakeholders across the urban-rural divide. Her professional imperative is to collaborate with diverse stakeholders to develop, measure and communicate impact strategies, support positive social, economic and environmental impact. The majority of her experience lies in collaborating with mission-oriented clients to successfully manage impact programs including conducting impact analyses and designing impact measurement and management systems. Courtney analyzes, tracks and improves a variety of impact investing portfolios. She works with social enterprises to assess impact, conduct financial due diligence and feasibility assessments and achieve individual goals. She holds a B.A. in Applied Political Economics from the University of Arizona, a land-grant university, as well as an M.A. in Policy and an M.B.A. in Social Finance and Impact Management from Middlebury College.



ALI KHAWAR
Principal Deputy Assistant Secretary, Employee Benefits Security Administration, U.S. Department of Labor

Mr. Khawar was sworn in on January 20, 2021, as the Principal Deputy Assistant Secretary for the Employee Benefits Security Administration at the U.S. Department of Labor. In March 2021, President Biden named him Acting Assistant Secretary, a title he held until September 2022. As Principal Deputy Assistant Secretary, he directly supervises the agency's three primary regulatory offices and serves as the Assistant Secretary's alter ego. He has extensive government experience and has previously served in a variety of roles at the Department including as an EBSA investigator in EBSA's Office of Enforcement, as EBSA's Chief of Staff in two Administrations, and as a Counselor to the 26th Secretary of Labor, Thomas E. Perez. Mr. Khawar has a bachelor's degree from the Johns Hopkins University and a law degree from Emory University School of Law. A first-generation Muslim American, Mr. Khawar lives in Washington D.C. with his wife and two children.



BRIAN KHORSAND
President, Khorsand ESOP Advisory (KEA)

Brian Khorsand is the President of Khorsand ESOP Advisory (KEA) where he advises shareholders, boards of directors and management teams of employee-owned corporations and organizations exploring ESOP strategies. Brian previously worked on the ESOP Consulting team at Principal Financial Group where he advised clients regarding ESOP issues such as repurchase liability, stock transactions, benefit-level analysis, plan design, sustainability, mature ESOP issues and communication. Prior to his time at Principal, he was an Employee Ownership Consultant at the Beyster Institute where he advised company owners and leaders on the feasibility, design and implementation of ESOP transactions.



IKRAM KOLISO

Interim Director, the Office of Financial Empowerment, City of Saint Paul

Ikram (she / her) currently serves as the interim director of the Office of Financial Empowerment for the City of Saint Paul. In this capacity, she oversees CollegeBound Saint Paul, the city's college savings account program, along with fair housing, shared ownership and guaranteed income pilot programs.

Prior to her current role, Ikram held positions as a Policy Associate in Mayor Melvin Carter's Office and as Program Manager for CollegeBound Saint Paul in the Office of Financial Empowerment. Ikram is deeply committed to community engagement, equitable policymaking, partnering with cross-sector stakeholders, and ensuring that the voices of residents are centered in policies and programs. She holds a degree from St. Catherine University in Saint Paul.



ALISON LINGANE

Co-founder, Chief Innovation and Investment Officer, Project Equity

Alison Lingane is a serial social entrepreneur who has dedicated her career to leveraging business as a force for good. She began her career designing and leading micro-enterprise programs for urban youth. Then, inspired to widen her impact, Alison pursued an MBA and co-founded the Global Social Venture Competition, which for three decades was the largest international business plan competition for double or triple bottom line businesses.

Prior to launching Project Equity, Alison held executive roles at mission-driven businesses that are designed to have human impact at scale, including Benetech (where she built and launched their first product, a digital book service for individuals with visual or reading disabilities), GreatSchools (the 6th largest parenting website, a nonprofit using information to drive school improvement), and InsideTrack (a venture-backed scaled services company that has delivered 1:1 coaching to millions of college students, resulting in increased college completion rates). She brings those scaling lessons back full circle to her work at Project Equity, turning businesses into community change agents through employee ownership.

Her passion for education also led her to co-found a thriving PreK-8th grade dual immersion school in Oakland, Escuela Bilingüe Internacional, that serves over 350 students. Alison has been recognized by fellowship invitations from Echoing Green, The Aspen Institute, Rutgers University and Ashoka, where Project Equity's work was featured in the book *America's Path Forward*. In 2022, Alison and Hilary received the Heinz Award for the Economy, established to honor the memory of U.S. Senator John Heinz and to celebrate the vision and spirit that produce achievements of lasting good. Alison holds a B.S. from Harvard University and an M.B.A. from UC Berkeley's Haas School of Business. In her free time, she can be found running trails in the East Bay Hills, hiking in the mountains and spending quality time with friends and family.



KELLY LOBIANCO

Director, the Los Angeles County Department of Economic Opportunity

Kelly LoBianco is the inaugural Director of the newly-created Los Angeles County Department of Economic Opportunity. Most recently, she served as Chief Program Officer for a leading NYC-based nonprofit, The HOPE Program, growing workforce development and social enterprise programming in the green economy. Prior to that, Kelly served as Assistant Commissioner of Training for the NYC Department of Small Business Services and held various roles in local and state government in New York as well as the US Senate in Washington D.C. She earned an M.P.A. from Columbia University and a B.A. in Political Science from Northwestern University.



CAMERON MADILL

Founder, PixelSpoke

Cameron is the founder of PixelSpoke, an employee-owned, award-winning web design & marketing agency that works with credit unions. His extensive volunteer work includes launching business accelerator programs for entrepreneurs in the U.S. and around the world and chairing the Portland community of certified B Corporations for 4 years — businesses that follow rigorous standards for creating positive environmental, social and employee impact.

In January of 2024, Cameron transitioned to a coaching and advisory role with PixelSpoke after over 20 years running the company. His new ventures are focused on helping entrepreneurial couples to be more intentional about their relationships and families and coaching entrepreneurs through converting their companies to be employee-owned.

Cameron received the Global Citizen of the Year award from Entrepreneurs' Organization — a worldwide group of over 12,000 leading entrepreneurs — for his work with refugees, the B Economy Leader by the B Corp community for his work building local B Corp communities, as well as numerous other awards such as the Portland Business Journal 40 Under 40.



SARAH MCBROOM

Director, Regional Engagement, Project Equity

Sarah has spent her career committed to building shared prosperity and well-being. She began her career in state-level economic development and most recently was an equity officer at a private, regional foundation in Arkansas. She is driven by a commitment to economic and racial equity and passion for developing partnerships, collective strategy, and infrastructure to advance systemic change. At Project Equity, Sarah focuses on building regional partnerships with government, non-profit, private sector, and philanthropic organizations to support, scale, and sustain a local employee ownership ecosystem. Sarah has a joint Master of Public Service and M.B.A. from the University of Arkansas Clinton School of Public Service and Walton College of Business and B.A. from the University of North Carolina at Chapel Hill. Outside of work, she loves canoeing, camping and hiking with her family.



J.J. MCCORVEY

Business and Economy Reporter, NBC News

J.J. McCorvey is a business and economy reporter at NBC News, where he focuses on socio-economic disparities and the ways in which business and money affect the day-to-day lives of Americans. Prior to joining NBC, he was a personal finance reporter at The Wall Street Journal, where he reported on inflation and wealth-building. He was also a writer for the monthly Young Money column.

A graduate of Tuskegee University, J.J. previously covered business for Inc., Fast Company and Entrepreneur as part of multiple ASME-award winning teams. He is a 2019 Best in Business honoree for the Society for Advancing Business Editing and Writing. J.J. recently moved to Atlanta after more than a decade living in New York City.



HOLLY J. MITCHELL

Supervisor, Los Angeles County Board of Supervisors

Supervisor Holly J. Mitchell currently serves on the Los Angeles County Board of Supervisors. As the daughter of parents who were public servants and a third-generation Angeleno, Mitchell leads with a deep understanding of the vital safety net LA County provides to millions of families and is committed to ensuring that all residents can thrive.

Since being elected to the Board of Supervisors on November 3rd, 2020, Supervisor Mitchell has made poverty alleviation a countywide priority and has anchored an equitable recovery plan from the health and economic pandemic caused by COVID-19. Within her first year as Supervisor and with support from the County Board of Supervisors, Mitchell passed a landmark guaranteed income program, made LA County the first in the nation to phase out urban oil drilling and has strengthened the County's ability to quickly respond to mental health crises among our unhoused residents.

Supervisor Mitchell is honored to represent the two million residents of Los Angeles County's Second District—including the neighborhood she grew up in—Leimert Park, along with the cities of Carson, Compton, Culver City, El Segundo, Gardena, Hawthorne, Hermosa Beach, Inglewood, Lawndale, Los Angeles (portions), Manhattan Beach, Redondo Beach, and a dozen unincorporated communities.



SULAYMAN NYANG JR.
CEPA, Financial Advisor, Edward Jones

Sulayman has pursued extensive training in strategic planning in order to assist business owners and nonprofit institutions with transition planning strategies and executive compensation structures. He holds the Certified Exit Planning Advisor® designation, in addition to an M.B.A. from the Porter Byrum School of Business at Wingate University. Sulayman is also a Master of Entrepreneurship and Innovation Leadership candidate at Western Carolina University.



FORREST OSBURN
Regional Engagement Program Manager, California, Project Equity

Forrest is an experienced political organizer and consultant who has worked across the country. At 21 years old, he was a political organizer with Lift Up Houston where he oversaw organizing in Black neighborhoods. As a result, Harris County (Houston) saw its largest off-year election turnout. He then worked as the Nashville lead organizer with Phil Bredesen for Senate in 2018, Research Assistant at HITT Strategies, Campaign Manager for several Long Beach City Councilmembers, and most recently, Legislative Assistant for Long Beach Council Member Dr. Ricks-Oddie.

As a Pasadena native, he is passionate about creating a more economically equitable Southern California where working-class families can live better lives rather than just treating water. When he is not working, Forrest enjoys traveling, watching sports and discovering new music.



MICHAEL PASAHOW
Counsel, Faegre Drinker

Michael is a trusted adviser to corporate and fiduciary clients, focusing on employee benefits law and Employee Stock Ownership Plan (ESOP) transactions. In particular, he specializes in ownership transitions and fostering successful employee-owned businesses. Michael also leverages his decade-plus experience with ESOP administration to assist his clients with qualified plan compliance and correction matters as well as ESOP sustainability.



ANNIE PALACIOS

Senior Manager, Business Engagement, Project Equity

Annie built her career around strategic client engagement and business development outreach for multiple industry sectors across various international consultancies. Having worked for the U.K. Government from 2013-2018, she developed relationships with investors and provided business advisory services to support expansion projects and promote job growth. Prior roles have included cultivating relationships with financial institutions in North and Latin American regions for a London-based think tank in addition to performing research and electoral analysis work. Annie holds an M.A. in International Relations from London Metropolitan University as well as a B.A. in Political Science (Magna cum Laude) from Texas A&M University-Corpus Christi. At Project Equity, she creates and nurtures collaborative partnerships to drive forward structured programs and results to clients. Outside of work, Annie enjoys running marathons, traveling the world with her husband, and listening to podcasts.



NICK ROMEO

Journalist, Critic and Essayist

Nick Romeo is a journalist, critic and essayist. His new book, *The Alternative: How to Build a Just Economy* (January 2024 from PublicAffairs and Basic Books), uses extensive original reporting to provide a road map for a sustainable and survivable 21st-century economy. He has spent years covering policy and ideas for *The New Yorker* magazine, where he has explored the neuropsychologist Nicholas Humphrey's novel theory of consciousness, reported on the world's largest worker-owned cooperative in Mondragon, Spain, and examined a job guarantee experiment outside of Vienna, Austria.

Nick has contributed front page breaking news stories, profiles, and essays to *The Washington Post*, *The New York Times*, *Scientific American*, *The Atlantic*, *Rolling Stone*, *The New Republic* and many other venues. He teaches in the Graduate School of Journalism at UC Berkeley.



DALLAS SHELBY

Director, Communications & Marketing, Project Equity

Dallas is an experienced nonprofit leader passionate about leveraging his talents to bring about real change. At Project Equity, he leads the communications and marketing team, helping to shape the narrative of employee ownership through storytelling and media engagement strategies.

With a background that spans both commercial and nonprofit organizations, Dallas has worked as a journalist, a filmmaker, a writer, an entrepreneur, a teacher, consultant and marketing strategist. Before coming to Project Equity, he served as a Director at National Arts Strategies, a nonprofit that provides leadership training and coaching for nonprofit leaders in the arts and culture sector. He also consulted with purpose-driven organizations on strategy, planning, leadership development, branding and communications.

He is an active volunteer in his hometown of Carmel, Indiana, where he is involved in state and local politics as a communications consultant, Democratic Precinct Chair and Indiana State Convention delegate. He also serves as the President of the Board of Trustees of the Carmel Education Foundation, which provides scholarships to students and innovation grants to teachers.



ERIK SCHULTZ

Co-founder and Strategic Advisor, SK2 Fund

Erik is the co-founder and strategic advisor of SK2 Fund, a small foundation with a mission of accelerating transition to a more equitable and sustainable world. SK2 utilizes integrated capital strategies to support and invest in underserved social and environmental entrepreneurs, both international and domestic. SK2 also advocates for philanthropic peers to align their investments with their mission and values.

Erik and SK2 believe in a more compassionate brand of smaller-scale capitalism that harnesses the energy of the free market but couples it with social justice. SK2 is deep into a process of investing 100% of its endowment in direct support of its mission and related values, and is committed to a full redistribution of its financial resources over the next 20 years.



STACEY SMITH

Senior Vice President & Head of Programs, Project Equity

At Project Equity Stacey is helping grow our team of professionals to accelerate the adoption of employee ownership as a key to building wealth and high-quality careers in communities. In addition to having been a licensed C.P.A., Stacey has a degree in Business Administration from the University of Vermont and has done coursework in International Business Studies at the University of Copenhagen. When she is not working, you can find her hiking the Bay Area hills, indulging in the restaurant scene, and playing with her family.



STEVEN SUCKOW
Director Corporate Advisory, BMO Harris

Building on his experience and knowledge of employee ownership, Steven is working with a team of lending and corporate finance professionals to provide advice and counsel to new and mature ESOPs.



MICHAEL D. TUBBS
Mayor, Stockton, CA

In 2016, Michael D. Tubbs was elected Mayor of Stockton at 26- years-old. He was the city’s first African-American Mayor and the youngest Mayor of any major city in American history. As Mayor, Tubbs was lauded for his leadership and innovation. He raised over 20 million dollars to create the Stockton Scholars, a universal scholarship and mentorship program for Stockton students. Additionally, he piloted the first mayor- led guaranteed income pilot in the country. Currently, he is the Special Advisor to California Governor Gavin Newsom for Economic Mobility and Opportunity; the Founder of Mayors for a Guaranteed Income (MGI); and the Founder of End Poverty in California (EPIC).

Under his leadership, Stockton was named an “All-America City” in 2017 and 2018 by the National Civic League. The city saw a 40% drop in homicides in 2018 and 2019, led the state of California in the decline of officer-involved shootings in 2019, and was named the second most fiscally healthy city in California. Additionally, it was recognized as one of the most fiscally healthy cities in the nation and was featured in an HBO documentary film, “Stockton on My Mind.”

Tubbs has been named a fellow at the Harvard Institute of Politics and The MIT Media Lab, a member of Fortune’s Top 40 under 40, a Forbes 30 under 30 All-Star Alumni, the “Most Valuable Mayor” by The Nation, the 2019 New Frontier Award Winner from the JFK Library, and the 2021 Civic Leadership Award winner from The King Center. Prior to his tenure as Mayor, Tubbs served as a Councilmember for the City of Stockton District 6, a high school educator, and a fellow for the Stanford Design School and the Emerson Collective.

On November 16, 2021, Tubbs released “The Deeper The Roots: A Memoir of Hope and Home,” published by the Flatiron Books imprint, An Oprah Book. The book — which the LA Times describes as “intimate and insightful”— not only relates Tubbs’ story of growing up in poverty but lays his vision for leadership and policy that is more empathetic and responsive to people who are struggling.

Arrangements for the appearance of Michael D. Tubbs made through UTA Speakers, New York, NY



FRANCISCA VILLEGAS

Program Manager and Community Organizer, City of Tucson's Economic Initiative Department

Francisca, also known as Franky, is a dedicated Program Manager and community organizer powerhouse based in Tucson, Arizona. With roots in Hermosillo, Sonora, she has a Bachelor's degree from the University of Arizona. In addition to being a certified business coach, she is also a certified entrepreneurship development professional, recognized by the prestigious International Economic Development Council (IEDC), and a master trainer by the Credit Builder Alliance.

Since joining the City of Tucson's Economic Initiative Department in January 2022, Franky has been instrumental in pioneering programs that address the lack of services for underrepresented small business owners, legacy enterprises, and minority communities.

Her approach is not just about the community, it's about transforming it. She covers vital areas such as access to resources, mentorship, and advocacy, laying the groundwork for a more equitable and resilient economy. Her initiatives are not just about bridging the gap, they are about ensuring every entrepreneur has the tools to succeed. She understands that a thriving economy leaves no one behind.

Franky is passionate about supporting local entrepreneurs and working with grassroots organizing groups. She engages in community reactivation programs and events to encourage small businesses and communities to advocate for themselves and el buen vivir.

Representatives from local employee-owned companies



GIROUX GLASS

Employee-owned contractor in Los Angeles, CA

[Giroux Glass Incorporated](#) is a 100% employee-owned glass, glazing, and architectural metals contracting company with branches in Los Angeles, San Bernardino, Las Vegas, Fresno, and Phoenix. Since 1946, Giroux Glass has been recognized for its integrity and high-quality performance. In 2017, Giroux Glass became 100% employee-owned through an Employee Stock Ownership Plan (ESOP) that allows their valued employees the chance to take full ownership of their work and reap the personal rewards for a job well done.



MAXIMUM FUN

Employee-owned podcast network in Los Angeles, CA

[Maximum Fun](#) is a pioneering podcast network and home to dozens of shows, some of which they produce and some of which are produced independently. On June 30, 2023, Maximum Fun became a 100% worker-owned cooperative.



PROOF BAKERY

Employee-owned restaurant in Los Angeles, CA

[Proof Bakery](#) opened in 2010 by chef / owner Na Young Ma in Atwater Village, in a space that housed a bakery for almost as long as most locals can remember. Since opening the bakery in 2010, Na Young Ma's goal has been to create an inclusive, sustainable environment for everyone who works at the bakery. For over two years, Na Young and a group of employees worked together to assess, dream up, and craft an equitable model of ownership. After much discussion and planning, the business was successfully sold and converted on August 13, 2021.

Project Equity staff



AMANDA CALDER
*Director of Advancement
and Partnerships*



BREANNA CHAN
Manager, Communications



FRANZI CHAREN
Communications & Marketing



JASON EBY
*Chief of Staff & Senior Manager,
Operations*



PETER LUCAS
*Senior Product Manager,
Service Provider Adoption*



BEN PLATT
*Senior Manager,
Foundation Relations*



KIARA WILLIAMS
Development Associate



THE PROJECT EQUITY TEAM



**Partner
workbook**

A toolkit for building resilient local economies with Employee Ownership

We know that when business decisions are made through a lens of what is good for workers and communities, businesses are more successful, local economies are more resilient, and workers gain meaningful pathways to quality jobs and economic mobility.

But how can you advance employee ownership (EO)?

This toolkit is a practical guide to help you move from ideas to action and create meaningful impact in your practice or community.

How to advance EO in your region



For each of these steps, this toolkit provides

1. **Key questions** to consider as you approach each step
2. **Practical tools** you can use today to advance EO
3. **Networking spotlights** of peers you can reach out to learn more about how they approached each step
4. **Reflection questions** to inspire your thinking

You are a leader and change maker in your field and region. We created this toolkit as a resource for you, and Project Equity is here to support you along the way. Reach out to our Director of Regional Engagement, Sarah McBroom (sarah@project-equity.org) to talk more about how to leverage this toolkit to advance EO in your region.

Step 1: Assess the opportunity

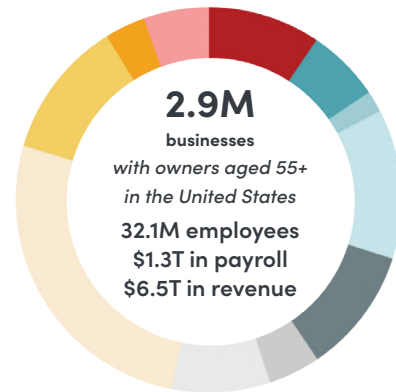
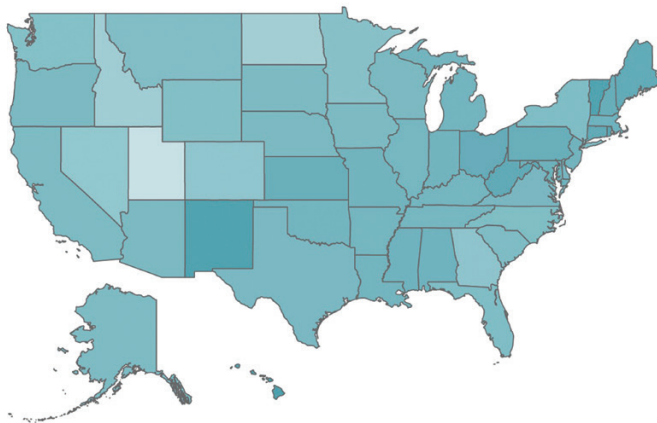
Key question

How might you define the opportunity for employee ownership in your region and identify businesses that are strong candidates for employee ownership?

TOOL: Silver Tsunami data

With over half of all privately held businesses with employees having owners over age 55 in the United States, we are seeing a massive ownership changeover of locally held businesses as the Silver Tsunami of retirements continues to march forward. The vast majority of business owners do not have a succession plan in place, and increasingly, many are finding it hard to find a buyer when they are ready to sell. As a result, some of these companies will quietly close down, a very small percent will be passed on to family members, others will sell to another local owner, and some will be sold to a larger company or out of area buyer.

The Silver Tsunami data in your region can tell a compelling story and inspire action among local partners & policy makers.



INDUSTRIES

- | | | |
|---------------------------------|-----------------------------------|--------------------------------|
| ■ Accomodations & food services | ■ Health care & social assistance | ■ Retail trade |
| ■ Admin & waste management | ■ Manufacturing | ■ Transportation & warehousing |
| ■ Arts & entertainment | ■ Other industries | ■ Wholesale trade |
| ■ Construction | ■ Professional services | |

{ Project Equity }

What does the Silver Tsunami look like in your region? Visit our interactive [Silver Tsunami map](#) to find out and click on your state and county on the map.

TOOL: Mapping your ecosystem

Unlocking the power of employee ownership in your region requires collaboration across the public and private sector. Use this tool to begin mapping your local ecosystem, identifying partners and potential gaps, and activating each sector to advance EO.



Kieron Slaughter, Chief Strategist, Economic Innovation for the City of Berkeley, speaking at an East Bay roundtable at Berkley City Hall.

PUBLIC SECTOR

Organization type	Name of organization in your region	Key point of contact
Government agencies that support business, economic, workforce development		
Government procurement departments		
Elected officials		
Small Business Development Centers		
Minority business development agencies		
Workforce Development Boards		
Business Improvement Districts		
Find out how three cities are advancing EO		

FINANCIAL SECTOR

Organization type	Name of organization in your region	Key point of contact
Community development financial institutions		
Traditional lenders		
Impact investors		
Community capital		
Credit unions		
Learn more about Project Equity's capital programs		

PRIVATE SECTOR

Organization type	Name of organization in your region	Key point of contact
Existing employee-owned businesses		
Chambers of commerce & industry associations		
Wealth planners, exit planners, financial advisors		
Accountants / CPAs		
Attorneys		
Business brokers		
Find messages and resources you can share with business advisors		

NONPROFIT SECTOR

Organization type	Name of organization in your region	Key point of contact
Local first / buy local organizations		
Local philanthropy & foundations		
Community & economic development organizations		
Coop developers		
Advocacy & labor organizations		
Universities & researchers		
Other community-based or non-traditional business connections with trusted relationships with your target audience		
Find funders that are embracing EO		

Networking spotlight

Ask **Prosper Birmingham** about their deep dive research project into mapping out [Birmingham's Black business ecosystem](#).



Ask the **City of Chicago** about the data analysis they commissioned from Project Equity on the impact of [legacy businesses in Chicago](#) and the opportunity for employee ownership as a wealth building strategy.

Step 2: Build awareness

Key question

How might we make employee ownership a well-known and widely adopted strategy among business owners, business advisors, economic developers and policy makers?

TOOL: DIY newsletter blurb

Use the instructions on the following page to fill in the blanks of this blurb that you can put in your next newsletter, use to write a press release, or share with partners when planning a local convening.

As the Silver Tsunami hits [your community], could employee ownership be an opportunity for economic resilience?

According to research by the nonprofit Project Equity, [insert % from data link] of businesses in [your county] are owned by individuals at or near retirement age. This so-called Silver Tsunami represents [insert # from link] local businesses, accounting for [insert # from link] in revenue and [insert # from data QR code below] local jobs.

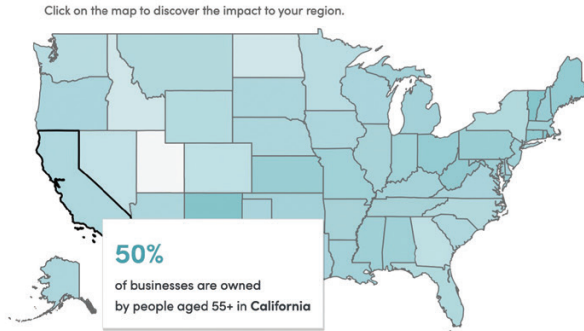
Without an exit plan, these local businesses and jobs are at risk. Additionally, the pandemic has made recruitment and retention of employees more challenging for business owners, slowing their recovery and growth.

Transitioning these businesses to employee ownership would keep these businesses going while also creating pathways to quality jobs and wealth building for workers. Employee ownership is a proven business structure in which a broad base of employees own the business where they work. Employee-owners build assets through profit sharing, retirement savings, and /or shared business ownership. Studies have shown that employee-owners have higher median wages than their peers, were five or more times less likely to be laid off during the Great Recession, and that employee-owners of color have substantially more wealth than their peers nationwide.

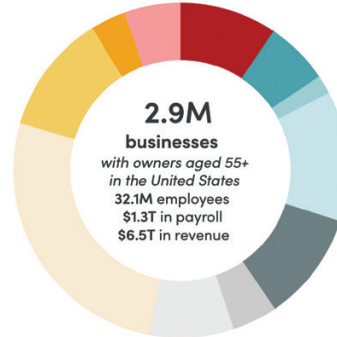
There are several examples of existing employee-owned businesses across sectors in [your region] like [insert business from business link], [insert business from business link], and [insert business from business link].

[Consider inserting a quote from a leader in your organization.]

Visit Project Equity's interactive [Siver Tsunami map](#) and click on your state

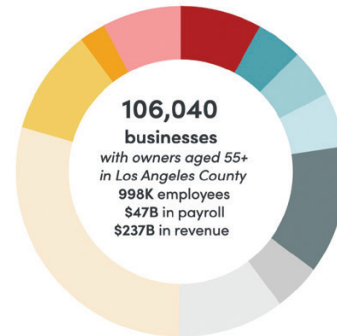
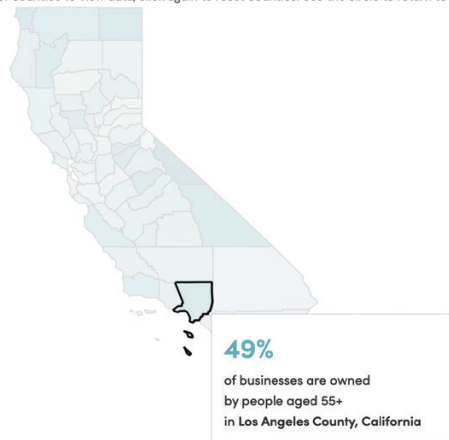


Hover over donut slices to view retiring business owners by industry.



Then click on your county to display the data

Click a county or group of counties to view data, click again to reset counties. Use the circle to return to states.



Enter a company name on [Certified EO](#) to get more information

Find Employee-Owned Companies

Company Name or Keyword

Sector State EO Type

[Reset Filters](#)

This Silver Tsunami coupled with the lingering impacts of COVID-19, means these businesses urgently need solutions. This is a critical time for business owners to consider pathways to retirement, particularly how employee ownership can address current business needs.

Consider your closing call to action








Do you want to direct your audience to resources?	Do you want to invite your audience to a webinar to learn more?	Do you want to invite your audience to a meeting to discuss further?
<p><i>Consider closing with:</i></p> <p>If you are a business owner wanting to explore employee ownership, you can schedule a free consultation or join an upcoming webinar with Project Equity at https://project-equity.org/free-consultation/.</p> <p>Project Equity is a nonprofit organization that provides hands-on support to companies that want to explore and execute employee ownership as well as critical working capital and transaction financing through their Employee Ownership Catalyst Fund.</p> <p>Business advisors can learn more about how to talk about employee ownership with their clients at https://project-equity.org/advisors.</p>	<p><i>Consider closing with:</i></p> <p>What to learn more? Join [your organization] for a webinar [insert date & time] to learn about employee ownership as a strategy to retain local businesses, build an exit plan, and create a more resilient local economy. Register here [insert registration link].</p>	<p><i>Consider closing with:</i></p> <p>Are you tired of hearing about beloved, local businesses closing in [your community] and eager for strategies to build a more resilient local economy?</p> <p>Join [your organization] for a roundtable [insert date & time] to learn about employee ownership and how we can collaborate to advance EO in our region. Register here [insert registration link].</p>

TOOL: Sample social media posts






Awareness is our greatest challenge when it comes to retaining businesses and creating a more resilient local economy through employee ownership.

Using our collective platforms, we can begin to scale awareness of employee ownership. We challenge you to start with Message #1 today and share your version of each of the messages below in the weeks ahead.


Message #1 - Employee Ownership Equity Summit		
 	I'm excited to be attending the @Project Equity Employee Ownership Equity Summit. They have brought professionals, funders, and policy makers together from across the United States to discuss employee ownership and its power and potential to create a strong, vibrant, sustainable economy. #EOEquitySummit2024	Image: Share your own photo of being at the Summit
	I'm excited to be attending the @projectequity #EOEquitySummit2024. They have brought professionals, funders, and policymakers together from across the US to discuss #employeeownership & its power and potential to create a strong, vibrant, sustainable economy.	

Message #2 - Intro to EO		
  	Did you know nearly half of businesses in [your region] have owners at or near retirement? Employee ownership is a proven strategy to retain these businesses and build wealth for workers. Learn more at https://project-equity.org/ @Project Equity #employeeownership	Image: Use an image from this folder
	Did you know nearly half of businesses in [your region] have owners at or near retirement? Employee ownership is a proven strategy to retain these businesses and build wealth for workers. Learn more at https://project-equity.org/ @projectequity #employeeownership	

Message #3 - EO webinar

  	<p>[your city] businesses, want to learn how to sell your business and retain employees? Join @Project Equity for a free webinar to learn how employee ownership can be a solution for lower turnover, higher productivity, higher profits, and greater resilience for businesses.</p> <p>https://project-equity.org/events-and-webinars/</p>	 <p>Image: Use an image from this folder</p>
	<p>[@City of your city] businesses, want to learn how to sell your business & retain employees? Join @projectequity for a free webinar to learn how employee ownership can be a solution for lower turnover, higher productivity, & higher profits.</p> <p>https://project-equity.org/events-and-webinars/</p>	

Message #4 - EO stories

  	<p>Business owners are choosing employee ownership as a strategy to preserve their legacy, strengthen business performance, and engage employees.</p> <p>@[tag local employee-owned businesses or just one that has transitioned to employee ownership in recent years.</p> <p>Read employee ownership stories here: https://project-equity.org/learn/ownership-stories/</p>	 <p>Image: Use an image from this folder</p>
	<p>Business owners are choosing #employeeownership as a strategy to preserve their legacy, strengthen business performance, and engage employees.</p> <p>@[tag local employee-owned businesses] is just one that has transitioned to EO.</p> <p>Read EO stories here: https://project-equity.org/learn/ownership-stories/</p>	

Message #5 - EO for business advisors

	<p>Retaining our local businesses as owners retire is critical to our economy. Business advisors in our region need to have employee ownership in their toolbox as they explore succession options with clients. Learn more about employee ownership as an exit strategy.</p> <p>https://project-equity.org/learn/benefits-for-business-advisors/</p>	<p>Image: Use an image from this folder</p>
	<p>Retaining our local businesses as owners retire is critical to our economy. Business advisors in our region need to have #employeeownership in their toolbox as they explore succession options with clients. Learn more about EO as an exit strategy.</p> <p>https://project-equity.org/learn/benefits-for-business-advisors/</p>	

Networking spotlight

Ask **Whatcom Community Foundation** about their effort to collaborate with partners across the state of Washington to launch a [Washington Center for Employee Ownership](#).



Ask the **City of Tucson** about how they partner with Project Equity to [build awareness of employee ownership](#) as an economic resiliency strategy and supported businesses in their journey to becoming employee owned.

Step 3: Demonstrate impact

Key question

How might you and your partners create a robust pipeline of business owners exploring and transitioning to employee ownership and demonstrate its impact for businesses, workers and local economies?

TOOL: Readiness factors

Employee ownership is a great fit for businesses in nearly every sector from main street to manufacturing and from restaurants to construction. That said, there are some readiness factors that indicate whether a business could be a good fit for an employee ownership transition.

Readiness factors

for employee ownership transitions

- ✓ **10 or more employees**
40+ employees for ESOPs
- ✓ **Profitable company**
In good financial health for the past 5 years
- ✓ **Proven track record**
Established business with years of experience
- ✓ **Minimal debt**
To support the transaction



Employee-owners at Research Development Associates, an Employee Ownership Trust that transitioned in 2022 with help from Project Equity

TOOL: Talking points for an initial employee ownership consultation

Interested in having an introductory conversation with a business owner about employee ownership? Use this tool to guide you.

Goals of an introductory call

- Understand the owner’s interest in Employee Ownership (selling, transformation, etc.)
- Educate about employee ownership and its benefits
- Gain core company info or potential challenges or barriers
- Refer businesses that could be ripe for transition and ready to talk more to an EO expert like Project Equity

SPOTTING POTENTIAL BUSINESSES THAT MIGHT WANT TO LEARN MORE & STARTING THE CONVERSATION

What business owners might say	What you can say
I'm ready to retire but can't find a buyer for my business.	The perfect buyer for your company may be the ones you work with every day. Employee ownership is a great strategy to preserve your hard-earned legacy and exit on your own terms.
I need strategies to retain my employees, support their engagement, productivity, and well-being.	Have you considered giving your employees a stake in your business's future? Employee ownership has been shown to strengthen business performance and increase employee retention and productivity.



Attendees from the 2023 Employee Ownership Equity Summit

ADDRESSING COMMON MISCONCEPTIONS

What business owners might say	What you can say
Does selling to my employees require accepting a lower selling price?	NO! A fair sale price is established by debt capacity, just like in a bank-financed sale to an individual.
Will my employees have to pay out of pocket to buy the business?	NO! Employees are not obligated to finance the transaction. Usually it is completed through a leveraged buyout.
Does this mean all my employees will now run the business like I have?	NO! Your management structure can stay in place or strategically shift after the transition but either way, it is separate from the new ownership structure.
Can I remain strategically involved after the transition?	YES! Selling owners have many options to stay involved in the business.

CONSULTATION QUESTIONNAIRE

Below are other additional important pieces of information to gather to assess whether the business is ready for a transition.

- When the business was founded
- Number of owners
- Entity type
- Total number of employees
- Owner's exit timeline
- Annual revenue & net profit
- Average profit margin %
- Outstanding debt and debt sources



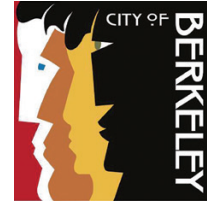
Employee-owners at Alternative Technologies, a worker cooperative that transitioned in 2022 with help from Project Equity

Next steps

Is this business a good fit for employee ownership? Help them schedule a call [here](#) (which you're welcome to join).

Networking spotlight

Ask the [City of Berkeley](#) about how they received national press and became a national center for employee ownership through the City's support and policy changes to advance EO.



Ask the **Alameda County Workforce Development Board** about how they used Workforce Innovation and Opportunity Act (WIOA) and other special workforce development funding and partnered with Project Equity to provide enhanced business services and layoff aversion strategies to assist business resiliency and job retention through employee ownership.



Sarah McBroom, Director, Regional Engagement, Project Equity, at the East Bay Roundtable in Berkeley

Reflection questions

What ideas do you have to demonstrate impact in your region?

- In order to demonstrate EO as a viable business model for the diverse businesses in your communities, what key industries or special locations within your city, county or region would be important to target for an initial pilot or demonstration?
- What would you need to demonstrate in order for your clients or community partners to understand employee ownership as a beneficial business and workforce strategy?

A large grid of graph paper, consisting of 20 columns and 25 rows of small squares, intended for writing answers to the reflection questions.

Step 4: Embed into systems

Key question

How can we use public policy and programs to create self-sustaining, supportive ecosystems for employee ownership transitions at the local, regional, state and / or national levels?

TOOL: A Guide to Educating Elected Officials About Employee Ownership

Supportive public policy is key to expanding employee ownership. There are many new laws and active campaigns right now to create more employee-owned businesses and level the playing field for existing ones. So it's a great time to get involved in employee ownership advocacy!

Here are some ways to get involved:

- **Educate yourself and connect with other advocates**
 - Sign up for email updates from [Project Equity](#), [National Cooperative Business Association \(NCBA-CLUSA\)](#), [National Center for Employee Ownership \(NCEO\)](#), and the [US Federation of Worker Coops \(USFWC\)](#).
 - Join the ESOP Association's (TEA) [Employee Ownership Action Network](#).
 - If you are a member of the USFWC, join the federation's Policy and Advocacy Council.
 - If you live in a state with an [EO center](#), sign up for your center's newsletter.
 - Join or start an employee ownership advocacy coalition in your state.
- **Engage and educate your legislators**
 - Collaborate with other constituents to request meetings with your local, state or federal elected officials (or their staff) to share the importance of EO for you and for the small businesses, workers and local economies in their district
 - Keep in mind TEA's "[10 Do's and Don'ts](#)" for legislative meetings
 - Read the American Sustainable Business Council's [advocacy guide](#) for tips on meeting with legislators, messaging, and working with media
 - Participate in lobbying events, such as [TEA's Advocacy Day](#) and "Hike the Hill" at NCBA-CLUSA's [Cooperative Impact Conference](#)
 - Invite your legislators to visit an employee-owned company in their district (see below for details on how to organize a visit)

- **Support EO bills**

- Sign on to coalition letters supporting bills or budget asks (signatures from organizations, constituents and well known individuals have the most sway)
 - *CURRENT OPPORTUNITIES: advocates in [California](#), [Colorado](#) and [Massachusetts](#) are seeking sign-ons to support EO in their states as of April 2024. If you live in CA, CO or MA, click through to take action.*
- Write or call legislators about current EO bills and budget requests
 - *COMING SOON: FY25 federal budget ask for [\\$4 million in WORK Act funding](#)*
- Submit public testimony or attend hearings when EO is on committee agendas

Whether focused on immediate campaigns or long-term goals, EO advocates have a lot to gain by educating government leaders. It's a powerful strategy and a lot of fun!



Senator Josh Becker and Santa Clara Mayor Lisa Gillmor visiting A Slice of New York. Photo credit ASONY

TOOL: Host an elected officials for a site visit at an employee-owned business

Many of the most vocal EO champions in government say that they love employee ownership because they've seen its benefits up close and personal. Even a [single visit](#) to an EO company can inspire meaningful change!

Follow these steps to organize an EO site visit with an elected official (many of these apply to other advocacy efforts as well):

1. **Identify the legislator and the host:** choose an elected official (local, state or federal) who you think could be an EO champion. Then find a leader in a successful employee-owned company in that legislator's district and invite them to collaborate.
2. **Send the invitation:** Describe the host company, your organization and any other noteworthy constituents that will participate, and, of course, the purpose of the meeting.

Keep the request concise but enticing! Propose days / times that will facilitate meaningful learning about the host company, and send the invitation well in advance.

3. **Prepare speakers and talking points:**

a. Draft the key messages you want to convey to the legislator, such as:

- i. **The benefits** of employee ownership for workers, businesses and communities and the **need** to retain local legacy businesses
- ii. The fact that EO is a good investment – for example, EO companies were **4 times less likely to lay off workers** during the pandemic
- iii. What employee ownership means for the host business: did it help the company continue when the founder retired? Has the business been more profitable or innovative under EO? Does EO help attract or retain talent?
- iiii. How EO has helped the company's employee-owners

b. Select some plum data points and examples to support your messages

c. Help employee-owners and company leaders tell their stories (lawmakers are especially interested in economic impact)

- i. If any employee-owners have saved money for the first time, paid off debt, advanced in their careers, bought a home or otherwise increased their financial wellbeing, be sure to highlight their stories!
- ii. Many people fear public speaking, and it could be the first time for employee-owners. Spend time helping them craft and practice their remarks well in advance.
- iii. Encourage company leaders to provide an inside view of their business, and a tour if it's an interesting facility.

d. Keep the agenda short and include some remarks by your legislator, as well as informal time for them to converse with constituents.

e. Discuss the agenda with the legislator's staff and determine together whether to invite press, and who will take the lead if you do.

4. **Consider your ask:** The purpose of a site visit can be purely educational, but it's still a good idea to have a small request for your legislator. You might simply ask them to share photos of the visit in their newsletter and social media. If you have a specific endorsement request or follow up opportunity, include that too. Be sure that the agenda helps motivate your ask, and keep the focus on EO.



Hilary Abell, Co-founder, Chief Policy & Impact Officer for Project Equity, speaking at the 2022 TEA National Conference in Washington, DC. Photo: The ESOP Association

5. **On the day of:** Have your key people there early. Bring supporting materials that the legislator can take with them, and make sure you have someone capture the visit with photos, video, or other media.
6. **Follow up:** Send a thank-you note to the legislator and their staff (and to the host business). Include materials, links or brief summaries of information you discussed, and reiterate your ask and any commitments the legislator made. Make the next steps easy—you want your legislator to emerge from this visit as a vocal EO supporter.

Key
question

Which policies should we prioritize when advancing EO legislation at the local, state and federal levels?

TOOL: Project Equity policy platform

There are many policy ideas to support employee ownership, some are more effective and likely to pass than others. To learn more about how specific EO policy proposals can address needs and opportunities you see in your communities, refer to our [policy platform](#). We lay out five key areas in which policy is most needed to advance employee ownership, and identify specific policies, bills and laws in each area and at each level of government.

Networking spotlight

Ask the **Los Angeles County** about [Employee Ownership Los Angeles County](#), an initiative of the Department of Economic Opportunity, in partnership with Project Equity, to provide EO services to businesses in the county as part of their Economic Mobility Initiative.



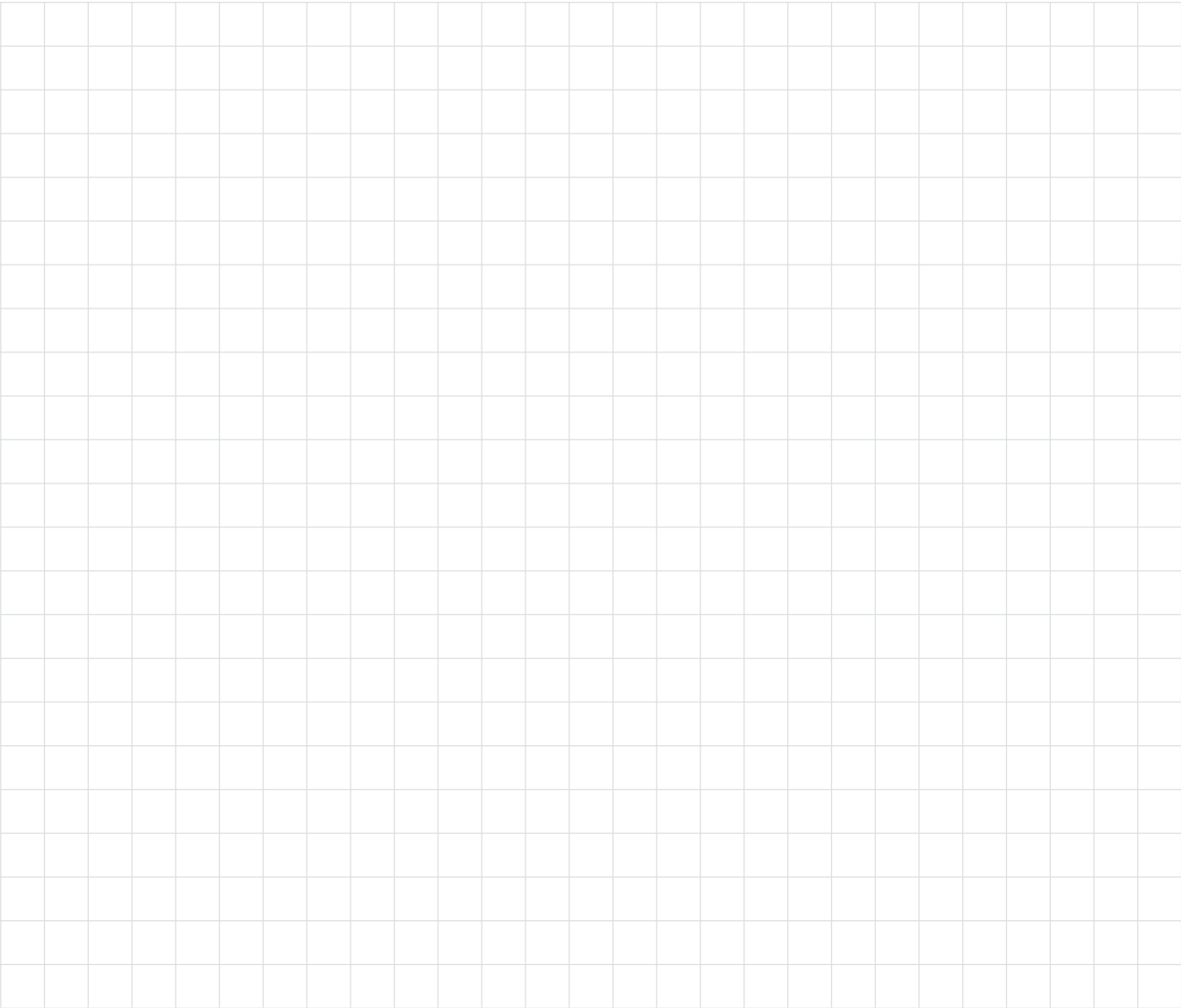
**SAINT PAUL
MINNESOTA**

Ask the **City of Saint Paul** about their \$2.5million [Locally Owned Cooperative Assistance Loan \(LOCAL\) Fund](#) that will provide subsidized technical assistance as well as grant and loans to businesses owners to support business expansion into employee ownership, employee-owned start-ups, and community-owned commercial real estate.

Reflection questions

What ideas do you have to embed employee ownership into existing systems?

- Every day, business owners are looking for ways to engage employees, businesses are bought and sold, businesses shut down. How could employee ownership be embedded into existing conversations and resources about succession, selling a business, engaging employees, etc?
- How can we make employee ownership a mainstream and widely accepted concept that all businesses in your network or community are familiar with?
- Which existing programs, organizations, government departments, or other systems currently exist to support local, small, or legacy businesses, to create and retain quality jobs, or to build racial and economic equity? How could employee ownership be integrated into these existing systems to strengthen them?

A large grid for reflection notes. The grid consists of approximately 20 columns and 30 rows of small squares, providing a structured space for writing reflections.

Building an ecosystem

Ecosystem actors

Financial sector

- Community development financial institutions
- Credit unions
- Lenders, impact investors
- Community capital
- Public funders

Public sector

- Government agencies
- Elected officials
- Policymakers
- Small business development centers
- Workforce development organizations

Nonprofit sector

- Small business developers
- Community economic development organizations
- Coop developers
- EO advocacy organizations
- Community-based organizations
- Universities
- Researchers
- Labor organizations
- Community trusts

Business owners

- Existing EO businesses
- Business advisors
- Accountants
- Lawyers
- Brokers
- Exit planners
- Wealth planners
- M&A firms
- Anchor institutions
- Coop developers
- Local business networks

Building an ecosystem

Ecosystem levers

Financial sector

Public sector

Nonprofit sector

Business owners

Creating an action plan



Reflection questions

Taking the framework and examples above and the tools within this workbook, plot your ideas to advance employee ownership in your organization, field or region.

- What are some first actions? Be specific - what are the very first, next things you can do to move this forward?
- What are your ideas for activities over the next 6 months?
- What are your ideas for longer-term, transformative actions to advance EO?

A large grid of graph paper, consisting of 20 columns and 25 rows of small squares, intended for writing answers to the reflection questions.

How Project Equity can help

Project Equity is here as a resource to you, your organization, and your region every step of the way.



We can help you with			
Data analysis of the retention risk and opportunity in your region	Messaging and storytelling to help you talk about EO	Education, events, and one-on-one advising to interested business owners in your region	Training, capacity building, continuing education for business advisors, and policy assessments with local government

Contact us

[Learn more](#) about how we can partner with you to unlock the power of employee ownership.



**Business
advisor
workbook**




Module 1: An introduction to employee ownership

What is EO?

EO is a business model in which the employees have an ownership stake in the business making them full or part owners. Broad-based employee ownership sustains quality jobs, creates stronger businesses and preserves your company’s legacy.

Types of EO

There are three main types of employee ownership, all of which have been around for many decades: Employee Stock Ownership Plans (ESOPs), worker cooperatives and Employee Ownership Trusts (EOTs). Each employee ownership model has key characteristics.

COMPARE FEATURES	 Employee Stock Ownership Plans (ESOPs)	 Worker Cooperatives	 Employee Ownership Trusts (EOTs)
	SUITABLE COMPANY SIZE	40+ employees, \$1 million+ EBITDA	Any size
TAX BENEFITS TO SELLING OWNER	✓ Can opt for \$1042 deferral of gains	✓ Can opt for \$1042 deferral of gains	No
TAX BENEFITS TO EO BUSINESS	✓ S Corp tax avoidance	✓ Tax deduction for patronage	✓ Tax deduction for profit-sharing
SETUP AND ONGOING COSTS	High	Low	Low
FLEXIBILITY OF MODEL	✓ Within ESOP parameters	✓✓ Within coop parameters	✓✓✓ Highly flexible
EMPLOYEES BUY THEIR SHARES	No	✓	No
EMPLOYEE ROLE IN STRATEGIC DECISION-MAKING	Optional	✓✓✓	Optional
PARTIAL EO TRANSITION	✓	✓	✓
PROFIT-SHARING BUILT IN	No	✓	✓

How advisors can support business owners

Awareness

- Spot clients who can benefit from employee ownership
- Invite conversations about business exit and succession
- Introduce employee ownership and provide general education
- Refer clients to other service providers and stay connected, as appropriate

Services

- Educate clients, their stakeholders and advisors
- Conduct feasibility assessments, including estimate of value and employee education
- Conduct EO transition services, including assembling and leading the deal team
- Help identify financing



Stacey Smith, Vice President, Program Operations & Client Experience, Project Equity

Module 2: Employee Stock Ownership Plans

Employee Stock Ownership Plans (ESOPs) are the most common type of employee ownership. ESOPs, like 401(k)s, are qualified retirement plans. However, they are used to transfer all or part of the company's shares to a trust administered on behalf of the employees.

ESOPS are

- **Size-dependent:** generally advisable only for companies with more than 40 employees, \$1M in earnings (before interest, taxes, depreciation and amortization) and \$5M in revenue
- **Tax positive:** significant tax benefits to the seller, business and employees
- **Highly regulated:** a qualified defined-contribution employee benefit plan designed to invest primarily in the stock of the sponsoring employer
- **More expensive:** however, the high setup costs and ongoing administrative costs usually outweighed by tax benefits for companies above a certain size
- **Free to employees:** employees don't pay for their shares; instead, shares are distributed as a retirement benefit
- **Long-term wealth building:** financial rewards to employees accrue in an account accessible at retirement

ESOPs are a tax-advantaged structure that makes them a fit for companies over a certain threshold size. ESOP ownership can be anywhere from a small percent of the company stock up to 100%. If the ESOP owns at least 30% of the business at the close of a sale transaction, the seller may be able to reinvest the proceeds in a qualified replacement property and defer any capital gain on the sale, based on guidance from their tax advisor. Typically, the ESOP's percentage ownership of the business is not subject to federal and state income tax. The stock held in the ESOP must be valued independently on an annual basis.



Employee-owners at Delta Pipeline Inc., an ESOP since 2017

Reflection questions

There are several revenue opportunities for financial planners and CPAs who refer appropriate small business clients to an ESOP transition, including financial planning services and retirement account management services.

- Which of your clients might be a good fit for an ESOP transition?
- What revenue opportunities would you want to explore?

A large grid of graph paper, consisting of 20 columns and 30 rows of small squares, intended for taking notes or drawing.

Module 5: Worker cooperatives

A **worker cooperative** is a company owned and controlled by—and for the benefit of—the people who work there. The Board of Directors comprises a majority of employee-owners who are elected by the full membership on a one-person, one-vote basis. Net profits are shared based on a formula designed to suit the company.

Worker cooperatives are

- **Democratic:** one person, one vote among employees, to elect board members and vote on major strategic decisions defined in the bylaws
 - Employee-owners also make up the majority of the board
- **Equitable:** employee-owners earn profit-sharing via patronage, based on hours worked
- **Less expensive:** lower set up and ongoing administration costs
- **Tax positive:** profits shared as patronage are tax-deductible to the business; also, some sellers may qualify for lifetime deferral of capital gains tax
- **Equity stake:** employees usually pay a modest equity buy-in
- **Universal:** appropriate for companies of all sizes

Worker coops have lower setup and ongoing administration costs and may qualify for some tax benefits. For example, in some circumstances, the seller can be eligible for lifetime deferral of capital gains tax and the profit that is paid out as patronage is tax-deductible to the worker cooperative business.



Employee-owners at California Solar Electric Company, a worker cooperative that transitioned in 2019 with help from Project Equity

Reflection questions

There are several revenue opportunities for advisors who refer appropriate small business clients to a worker coop transition.

- Which of your clients might be a good fit for a worker cooperative transition?
- What revenue opportunities would you want to explore?

A large grid of graph paper, consisting of 20 columns and 30 rows of small squares, intended for taking notes or drawing.

Module 6: Employee Ownership Trusts

An **Employee Ownership Trust (EOT)** is a trust that holds some or all of the shares of a company on behalf of the employees. An EOT ensures employees have a share in profits, a voice in governance and that the mission of the business—and its jobs—can be preserved for generations to come.

EOTs are

- **Perpetual:** safeguards the ownership of the business over the long term
- **Flexible and simple:** offers the ability to design the trust structure to meet the goals and needs of the selling owner, company and its employees
- **Lower cost:** lower setup and administration costs
- **Free to employees:** employees don't pay for their ownership benefits
- **Typical transaction value:** \$3-20M
- **Typical workforce size:** 10+ employees
- **Universal:** appropriate for companies of all sizes

EOTs have been the favored path to employee ownership in the United Kingdom for decades. The EOT structure in the United States uses a Perpetual Purpose Trust to establish an EOT, which is an innovation of trust law that is becoming more commonplace.

With an EOT, there is no required buy-in. EOTs have lower setup costs and negligible ongoing maintenance costs, but they are not eligible for the potentially significant tax benefits of an ESOP. An invaluable feature of EOTs is that they can be crafted to be protected from a future sale, with a flexible structure that can be designed to fit the specific goals of each business.




“We’re the first company in the U.S. to set up an EOT as uniquely as we did to create an opportunity for 100 years of growth in alignment with our corporate mission: Enabling customer success and employee prosperity.”

Rick Plympton, CEO of Optimax

Reflection questions

There are several revenue opportunities for advisors who refer appropriate small business clients to an EOT transition.

- Which of your clients might be a good fit for an Employee Ownership Trust transition?
- What revenue opportunities would you want to explore?

A large grid of graph paper, consisting of 20 columns and 30 rows of small squares, intended for taking notes or drawing.

Module 3:

Financial analysis and readiness assessment

In order to assess the potential benefits of employee ownership for your business clients, you should start by understanding their business goals, timelines and objectives. Then identify areas where employee ownership can align with and advance these goals.

Is EO right for me and my business?		
Take this simple quiz to understand if EO is right for your business.		
	AGREE	DISAGREE
I need to plan for retirement.		
I want to sell my business for a competitive price.		
My business is my legacy. It's important that it lives on after I've retired.		
It's a priority that my employees retain their jobs after I retire.		
I want to build a more equitable, inclusive workplace.		
I want my employees to think and act more like owners.		
I want to retain my best employees, and attract new ones.		
I believe that business is best when everyone benefits, including me, my employees and my community.		

What is the annual cost of employee turnover in your business?		
Employee turnover costs US businesses over a trillion dollars a year, reduces productivity and harms morale.		
A	Number of employee turnovers per year	
B	Average employee salary	
C	Cost per employee (low end): $0.5 \times B$	
D	Cost per employee (high end): $2.5 \times B$	
E	Annual cost to your business (low end): $A \times C$	
F	Annual cost to your business (high end): $A \times D$	

Credit: EO Equals: "Exploring Opportunities in Employee Ownership - A Workbook for Small Business Owners" 2021

Conversation starters: what does your client want?

Ownership?	EO can foster a sense of belonging among employees and aligns their interests with the company's success. Employee ownership can be full or partial depending upon the client's objectives and timing.
Wealth building?	EO enables employees to accumulate wealth over time, enhancing their financial security. An EO transition process is designed to accelerate company value and thus proceeds to selling owner.
Governance?	EO enables employee participation in decision-making and can preserve existing management.
Perpetuity?	EO ensures the company's longevity and legacy.
Mission?	EO reinforces a company's mission and values.
Financing?	EO can provide unique financing options for business owners looking to sell.



Christian Garcia, employee-owner at Proof Bakery, a worker cooperative that transitioned in 2021 with help from Project Equity

How EO can benefit your clients' business

ESOPs

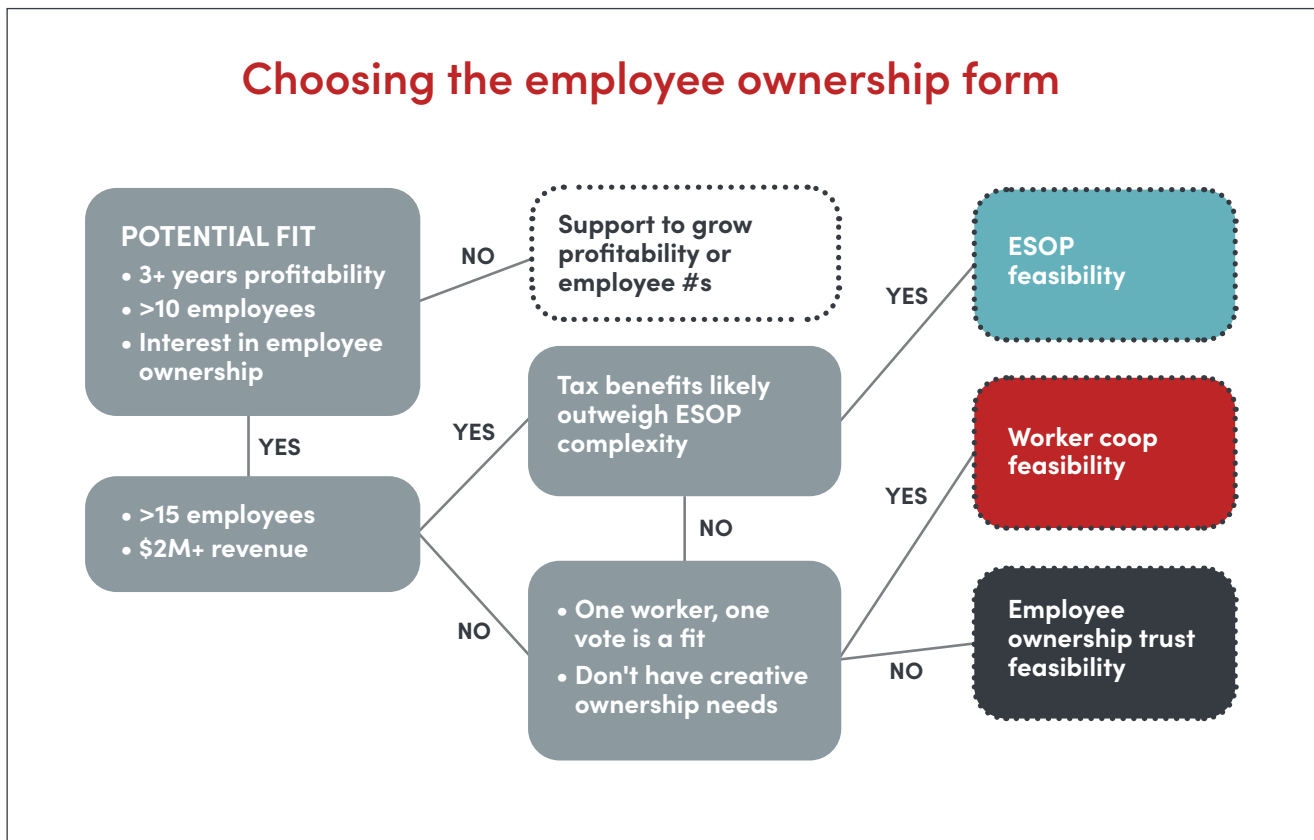
ESOPs benefit selling owners by providing a ready market for their shares and the business gains motivated and loyal employee-owners. New employee owners enjoy the potential for financial growth as the company's value increases.

Worker cooperatives

Businesses benefit from increased employee engagement and commitment, while new employee owners have a say in company decisions and share in the profits, fostering a sense of ownership and pride.

EOTs

Employee Ownership Trusts allow business owners to sell to a trust that holds shares on behalf of the employees. It's a reliable and highly flexible exit strategy. A company owned by this type of trust is for the benefit of the employees.



Timeline for employee ownership transitions

STEP 1
EXPLORATION
1-2 months

Early conversation and education to assess options and fit



STEP 2
FEASIBILITY
+3-6 months

Deep dive into valuation, management capacity and timeline



STEP 3
TRANSITION
+6-12 months

Structure of the future business including governance, management and seller's role



{ CLOSING THE SALE }

+ Transition dependent

Finalizing deal, closing financing

STEP 4
THRIVE
+24 months

Capacity building for ownership culture and governance



Employee-owners at Westbrae Nursery, a worker cooperative that transitioned in 2022 with help from Project Equity

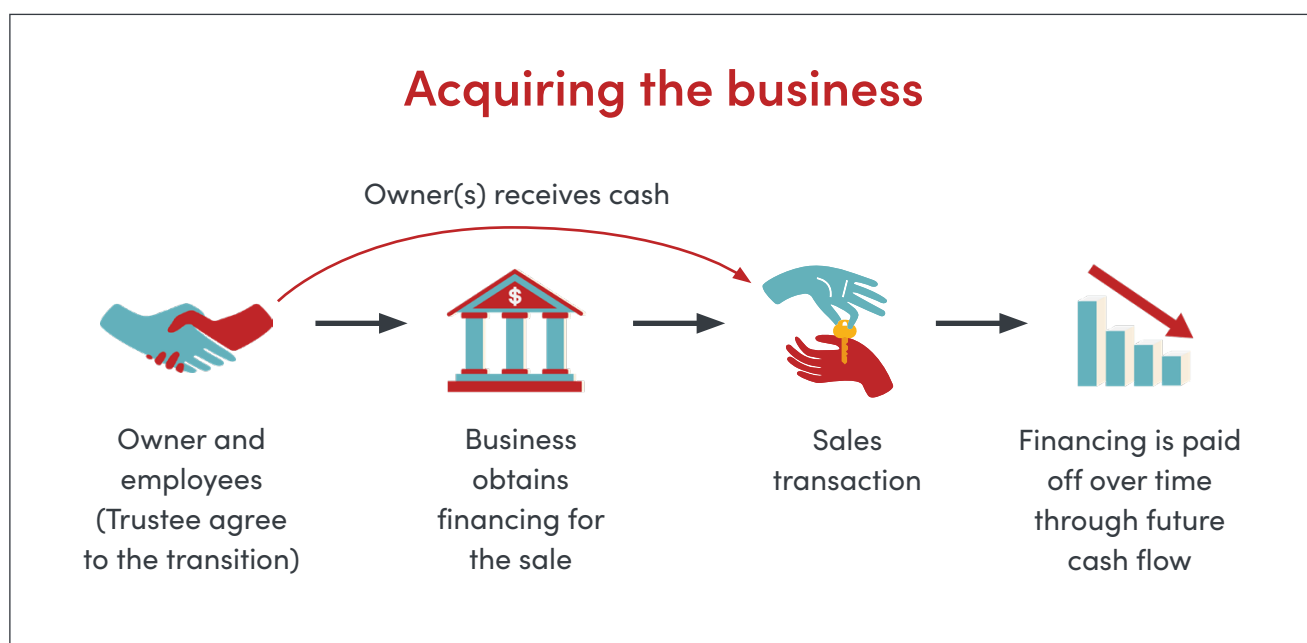
Reflection questions

- What are some key metrics of valuation that should be considered?
- How important is cultural transformation for a successful employee ownership transition?

A large grid of graph paper, consisting of 20 columns and 30 rows of small squares, intended for taking notes or writing answers to the reflection questions.

Module 4: Financing

Businesses transitioning to employee ownership need capital to finance the sale, in addition to potentially needing working capital. The right type of financing is critical. Yet, companies may not have the right collateral to meet bank credit criteria. In addition, traditional financial institutions may not fully understand employee ownership, asking for one owner (of many employee-owners) to sign a personal guarantee.



EO FINANCING REQUIREMENTS

All forms of broad-based EO must have the following

- **Demonstrated financial stability:** Lenders and investors need to see a track record of financial stability, including positive cash flow, sound financial management and a strong balance sheet
- **Proven management team:** Lenders look for a competent and experienced management team capable of successfully steering the business through the transition to an EO structure as well as creating an aligned employee culture
- **Business valuation:** Some forms of EO require a formal business valuation; others depend more heavily on an debt-capacity analysis which is one form of valuing a business

For ESOP transactions

- **Business valuation:** A third-party valuation of the business is required for ESOP financing; in 100% ESOP transactions, banks cannot finance the entire transaction
- **Legal and regulatory compliance:** Evidence of compliance with ERISA (Employee Retirement Income Security Act) and other relevant laws governing employee benefit plans
- **Other considerations:** Type and amount of seller consideration, ESOP plan design, repurchase obligations

For worker coop and EOT transactions

- **Debt capacity:** If an independent valuation is not available, lenders will review debt-capacity modeling looking out 5-10 years
- **Business plan:** Lenders expect to review a well-developed business plan outlining structure, operations and financial projections
- **Employee commitment:** Lenders often require evidence of employee commitment to a shared governance model and participatory culture



Sarah Vegas, employee-owner at Niles Pie, a worker cooperative that transitioned in 2017 with help from Project Equity

SOURCES OF CAPITAL FOR EO COMPANIES

ESOPs

- **Bank:** ESOPs that have financed through a commercial bank can often tap the credit products offered by that institution
- **Growth capital** can include preferred equity, private placement of debt or equity, etc.

Worker coops and EOTs

- **CDFIs** may have limited credit products to offer EO companies
- **Local / regional banks** familiar with EO forms may be a better option
- **Some coops** may qualify for grant funding
- **Growth capital** can come for DPO's, preferred equity, private placement of debt / equity, etc.

Reflection questions

List your go to sources of EO capital.

- What additional sources of capital might be leveraged?
- If none, who do you need to establish a working relationship with?

Module 7: Legal and regulatory considerations

Ensuring adherence to compliance and legal obligations are a critical component of employee ownership. As an advisor you can help your clients navigate the documentation and regulatory filings specific to different employee ownership forms and establish mechanisms for maintaining ongoing legal compliance in employee-owned businesses.

Attorneys can support business owners interested in employee ownership in two ways:

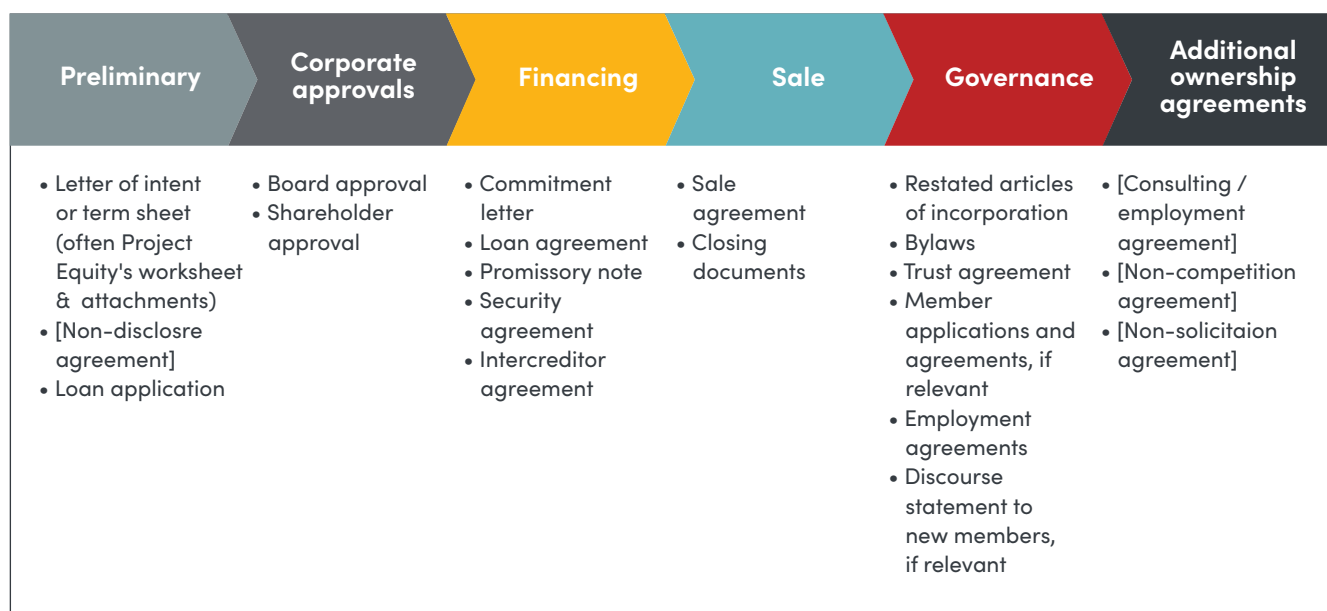
Advising

- Initial consultations
- Educational guidance and feasibility assessment
- Legal structure selection
- Regulatory compliance
- Tax planning

Services

- Entity formation and due diligence
- Governance structure and coaching
- Dispute resolution
- Employee ownership culture
- Regulatory compliance
- Ongoing legal support

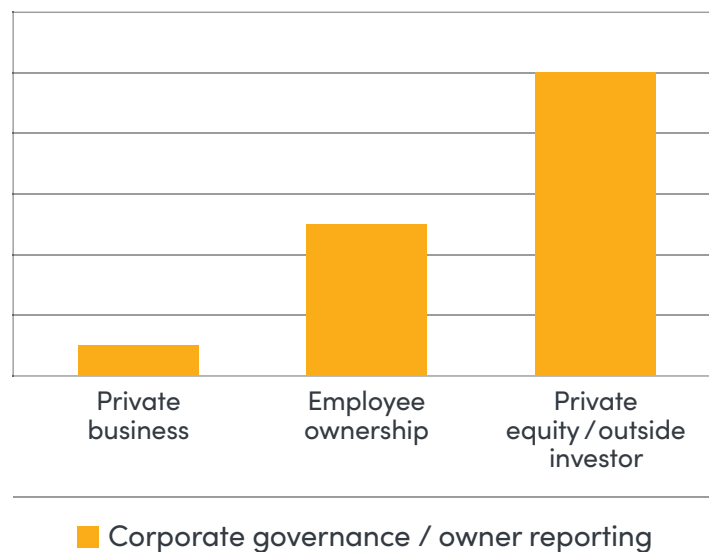
Deal structure - chronology of documents



Compliance

For most closely held businesses, the amount of corporate governance and owner reporting is higher once it becomes employee-owned. In general, the compliance work involved with employee ownership is less than what would occur if an outside investor were to purchase the company. There will be a big learning curve in the first year, which might require external support like Project Equity's Thrive program.

Corporate governance & owner reporting



ESOPs

Compliance and legal requirements

One time compliance items

- ESOP plan
- ESOP trust
- ESOP summary plan description
- Determination letter
- Employee notice

One time recommended items

- Employee rollout meeting
- Amend corporate bylaws to include independent directors (may be required by ESOP trustee)
- ESOP distribution policy

Highlight on two primary items that the employees receive

- ESOP summary plan description (one time)
- Annual benefit statement

Annual compliance items

- Form 5500 filing for the ESOP
- ESOP stock valuation
- ESOP audit (if the plan has 100 or more participants)
- Annual report and annual benefit statement participants
- Annual ESOP administration (e.g., providing data to trustee team; making required distributions and reporting on Form 1099-R)
- Compliance testing (e.g., 409(p); discrimination testing)
- Make required contributions to the ESOP
- Secure required insurance (e.g., fidelity bond, fiduciary liability)

Board of directors and governance

- Hold regular board meetings and record the minutes
- Elect board members, including independent board members
- Invite ESOP trustee to annual shareholder meeting and to regular board meetings as needed (ESOP trustee does not sit on the board)
- Establish required ESOP related board committees, such as audit, compensation, ESOP Administration and communication

ESOPs

Potential IRS compliance issues

- S corporations that are 100% owned by an ESOP trust operate with significant tax and cash flow advantages
- Employees participate in the company's equity growth through a tax-deferred retirement vehicle with no out-of-pocket cost to the employees
- IRS is concerned about behind-the-scenes loan arrangements to high income owners that adversely impact rank-and-file ESOP participants, particularly when they are entitled to receive their ESOP benefits

Credit: BDO.com/insights: [Avoiding ESOP Compliance Issues in Recent IRS Warning](#), Sept. 23, 2023

ESOPs

Documentation and regulatory filings

- **Regulatory filings** - File required reports with government agencies such as the Department of Labor (DOL) and the Internal Revenue Service (IRS)
- **Form 5500** - Annual filing by the plan administrator detailing finances, participation, and operations are due seven months after end of plan year
- **Form 1099-R** - Reports distributions to participants for tax purposes and must be furnished to participants by January 31
- **IRS discrimination testing** - Results of annual testing must be filed with the Internal Revenue Service, with the due date based on tax filing

Credit: ESOP Partners: [Top 5 ESOP Accounting & Administration Basics for HR Leaders to Know](#)



Employee-owners at CT3 Education, an ESOP that transitioned in 2022 with help from Project Equity

WORKER COOPERATIVES

Compliance and legal requirements

Legal entity options for entities with cooperative principles

- Cooperative corporation or general corporation with cooperative bylaws
 - Taxed as a Subchapter C corporation using Subchapter T for cooperative distributions
- LLC, LCA, GP and LP with a member agreement with cooperative principle
 - More frequently advised: elect to be treated as corporation and taxed as a Subchapter C corporation using Subchapter T for cooperative distributions
 - Less frequently advised: elect to be treated as partnership and taxed under Subchapter K

Cooperative bylaws

- Draft and adopt bylaws outlining the structure, governance and operations of the cooperative
 - Ensure bylaws comply with local laws and regulations

Member participation

- Establish criteria for membership and outline the rights and responsibilities of members
- Clearly define the process for admitting new members and exiting existing members

Democratic governance

- Ensure democratic representation in governance, giving each member an equal vote

Board design

- Structural flexibility
- Compliance capacity

Meetings

- Schedule and establish procedures for notifying members about meetings, access to minutes and voting on important matters

Patronage

- Profit distribution
- Subchapter T tax treatment considerations

Equitable distribution of profits and losses

- Define and comply with legal requirements regarding the equitable distribution of earnings in the case of sale, acquisition or merger

Credit: "Subchapter T and How Money Flows Through a Cooperative" Coop-Law.org, 8/22/12

WORKER COOPERATIVES

Tax guidance for worker cooperatives

Pass through entity status

- Ensure proper tax reporting and compliance for pass-through income distribution

Cooperative tax credits

- Subchapter T allows cooperatives to deduct from their gross taxable income the amount they pay in patronage refunds

Qualifying patronage dividends

- Under certain conditions a worker coop can avoid double taxation of dividends



Employee-owners at Rockman et al, a worker cooperative that transitioned in 2019 with help from Project Equity

WORKER COOPERATIVES

Documentation and regulatory filings

Annual reports

- Many states require businesses, including cooperatives, to file annual reports
- If the cooperative is organized as an LLC, IRS Form 1065 must be filed yearly if it receives income or incurs expenditures allowable as deductions

Compliance with securities laws

- Depending on the cooperative's structure and the way it raises capital, there may be requirements to comply with additional state and federal securities laws

1099 reporting requirements

- It's essential for worker cooperatives to properly classify individuals as either employees or independent contractors to determine whether 1099 forms need to be issued, taking into account IRS guidelines and relevant state laws

EOTs

Key roles

Trust Enforcer / Protector (TE / TP)

- Independent arbitrator or ombudsperson for grievances brought by any EOT stakeholder
- Would be responsible for deciding whether a stakeholder has violated the terms of the trust agreement or fallen short of its responsibilities

Directed Trustee

- The Directed Trustee administers the trust as directed by the TSC, including executing legal documents, filing reports and taxes and more as needed
- The trust itself is the direct owner of the company
- State specific requirements inform who can take this role

Trust Stewardship Committee (TSC)

- Responsible for overseeing the trust in accordance with the Trust Agreement
- Typically elected by the employees and comprised of a majority of employees
- Can have external members if desired

Board of Directors

- Responsible for overseeing company strategy and performance in accordance with the Corporate Bylaws
- Appointed by the TSC, sometimes with employee nomination / election
- May include non-management employee directors if desired
- Can have external directors

EOTs

Compliance and legal requirements

Legal entity options for entities for Employee Ownership Trusts

- C corporation
- If LLC can sometimes remain LLC

Cooperative bylaws

- Legally binding document stating how the company will conduct business; covers Board issues and other topics related to the company
 - Ensure bylaws comply with local laws and regulations

Trust Agreement

- Legally binding document stating how the trust will conduct business; covers Trust Purpose, Trust Stewardship Committee (TSC), Trust Enforcer / Trust Protector, Trustee and other topics related to the Trust
- Appoint a Trustee to administer the EOT
 - Employee-owners can be involved in this, depending on the state
 - Ensure the Trustee fulfills fiduciary duties

Democratic governance

- Best practice includes democratic representation in governance, including employee (non-management) representation on TSC and / or Board

Board and Trust Stewardship Committee design

- Structural flexibility
- Compliance capacity



Employee-owners at Hummingbird Wholesale, an EOT that transitioned in 2023 with help from Project Equity

Meetings

- Schedule and establish procedures for notifying members about meetings, access to minutes and voting on important matters

Profit sharing

- Profit distribution
- Best practice is to separate performance-related compensation from ownership-related compensation

Distribution of profits and losses

- Define and comply with legal requirements regarding the equitable distribution of earnings in the case of sale, acquisition or merger
- Best practice is to disincentivize sale in favor of perpetuity

Communication and disclosure

- Regularly communicate EOT-related information to employees
- Comply with disclosure requirements, providing timely and accurate information about the trust

Tax compliance

- Ensure proper reporting of income, contributions and other financial transactions
- It's advisable to not have money flowing into the trust due to high tax rates

EOTs

Documentation and regulatory filings

- Because an EOT is not regulated under ERISA, but rather the trust laws of its respective state, requirements for documentation, regulatory filings, and other compliance issues are far fewer with lower implementation costs compared to ESOPs
 - For instance EOTs do not file reports with the Department of Labor and annual evaluations are not mandatory
- An EOT can be used for both minority and majority ownership of a company
- Nothing precludes the combination of a majority EOT (for perpetuity) and a minority ESOP (for tax benefits)
- Although trust law in some U.S. states does not permit this type of trust, an out-of-state trust from one of those that does can be set up to serve the purpose in any state in the U.S.
- As of Jan. 16, 2024, the Corporate Transparency Act mandates that certain U.S. legal entities and foreign entities registered to do business in the U.S. (collectively known as Reporting Companies) report “beneficial ownership”

Credit: EOT Advisors, [The Employee Ownership Trust: An ESOP Alternative](#), Christopher Michael, Jan. 2017

Credit: National Law Review, [Corporate Transparency Act Takes Effect with Beneficial Ownership Reporting Requirements](#), 1/10/24

Reflection questions

- What advice might you be able to provide clients looking to transition their businesses?
- What legal services might you be able to provide clients looking to transition their businesses?

A large grid of graph paper for writing reflections. The grid is composed of 30 columns and 30 rows of small squares, providing a structured space for handwritten notes and answers to the reflection questions listed above.

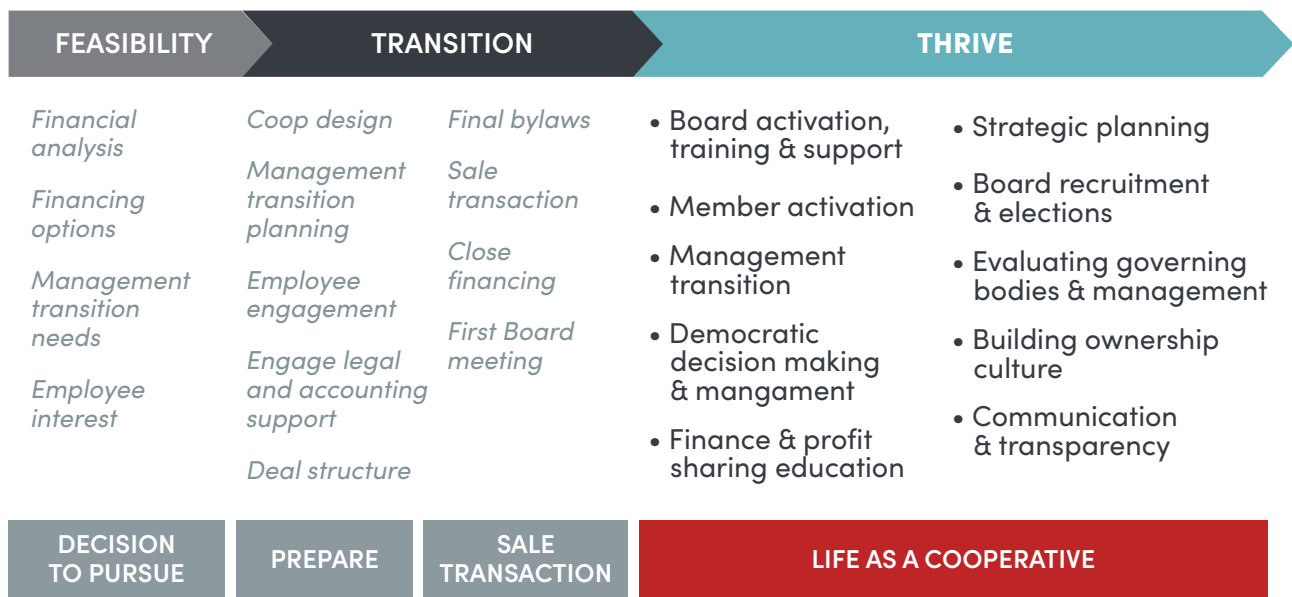
Module 8: Implementation and ongoing support

As an advisor, you can help your clients create a comprehensive implementation plan for employee ownership. In your role, you can incorporate strategies for investing in education and fostering a supportive organizational culture. You can help your client effectively communicate the transition process to the employees and stakeholders while providing continuous support and guidance to the businesses operating under employee ownership.

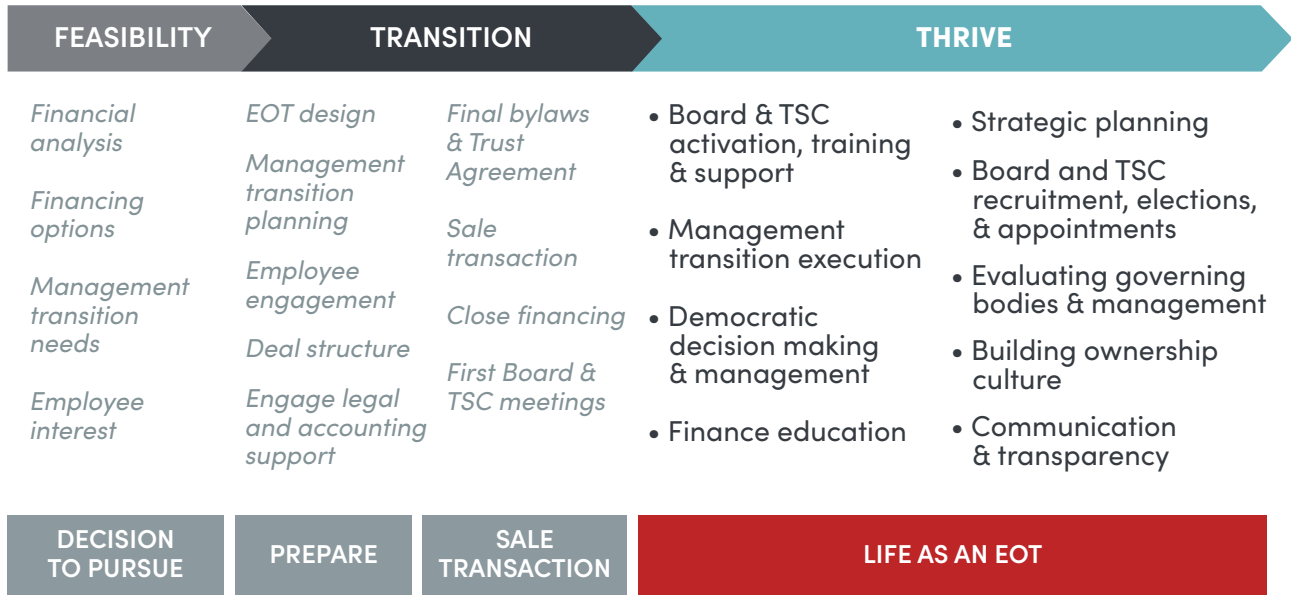
Project Equity’s Thrive program

Thrive is a 2-year post-transaction support program offered by Project Equity that provides tailored formal training, coaching and guidance to newly transitioned employee-owned businesses.

Sample Thrive program for a worker coop



Sample Thrive program for an EOT



Charlie and Julie Tilt from Hummingbird Wholesale with Courtney Kemp, Senior Client Services Manager, Project Equity

Reflection questions

What kind of post-transition support services might you be able to offer to your clients?

A large rectangular grid of graph paper, consisting of 30 columns and 30 rows of small squares, intended for writing a response to the reflection question above it.



Thank you to our sponsors

department
of **economic
opportunity**
COUNTY OF LOS ANGELES



{ Project **Equity** }

