

SELLING TO YOUR EMPLOYEES AS AN

# EXIT STRATEGY

FOR YOUR BUSINESS

## Why should I consider converting my business?

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

## How are employee-owned businesses structured?

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

## How does employee ownership work as an exit strategy?

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



**ONLY 15%**  
of businesses  
succeed to  
the next  
generation.

Realize market value with tax advantages.

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

**A GREAT SOLUTION FOR BUSINESSES OF ALL SIZES!**

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Let us guide you through the process.

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## BUSINESSES



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

## COMMUNITIES



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

## EMPLOYEES



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

# UNDERSTANDING YOUR SUCCESSION OPTIONS

OPTIONS	 PRESERVE LEGACY	 MARKET VALUE	 TAX BENEFITS	 EMPLOYEES RETAINED
Sell to Family	✓	?	?	?
Acquisition	?	?	✗	?
Employee Ownership	✓	✓	✓	✓
Close Down	✗	✗	✗	✗

**OVER 80%** of businesses listed with a leading broker never sell

## EMPLOYEE OWNERSHIP MYTHS

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

With employee ownership, the employees would not be running the company alone. Management would be in place and the transition process ensures time to train and/or hire leadership replacement.

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

There would be many employee owners, versus just one or a handful. Responsibility and rewards are spread among all. No individual would buy the company alone.

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

In an employee ownership transition, there's not an expectation that the employees would bring the total amount of cash to the table to buy the business.

### Myth #4: I won't get a fair price if I sell to my employees.

Sellers who transition their companies to employee ownership will receive fair market value plus potential tax advantages, and we recommend getting a formal valuation as a first step.

### Myth #5– It sounds hard!

Any business succession path takes effort. Project Equity helps with every step of the process.

**LET US GUIDE YOU THROUGH THE PROCESS.**

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