If you’re a business owner thinking about retirement or looking for an opportunity to sell your business, consider selling to your employees.

No one knows your business better than your employees. Your employees have helped you execute your vision on a day-to-day basis and will continue to serve your clients with the same passion and dedication as employee-owners.

Selling to your employees opens the opportunity to structure the business as an employee-owned cooperative.

What is employee-ownership?
Employee-ownership is an employee-owned cooperative or a business that is owned and governed by employees.

An employee-owned cooperative is a viable option to ensure your legacy and improve the lives of your employees by ensuring better pay, benefits, asset building, and profits stay in your community.

If you are ready to explore this opportunity, let Santa Cruz Community Ventures be your guide. Contact us at info@sccvonline.org.

### SUCCESSION OPTIONS

<table>
<thead>
<tr>
<th>Options</th>
<th>Preserve Legacy</th>
<th>Market Value</th>
<th>Tax Benefits</th>
<th>Employees Retained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sell to Family</td>
<td>✔</td>
<td>?</td>
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<tr>
<td>Acquisition</td>
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<tr>
<td>Employee Ownership</td>
<td>✔</td>
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<tr>
<td>Close Down</td>
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### EMPLOYEE OWNERSHIP BENEFITS

<table>
<thead>
<tr>
<th>Workers</th>
<th>• Better pay and benefits</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>• Assets and business ownership</td>
</tr>
<tr>
<td></td>
<td>• Voice in key decisions</td>
</tr>
<tr>
<td>Businesses</td>
<td>• Higher productivity &amp; growth</td>
</tr>
<tr>
<td></td>
<td>• Lower employee turnover</td>
</tr>
<tr>
<td></td>
<td>• Improved longevity &amp; lasting legacy</td>
</tr>
<tr>
<td>Society</td>
<td>• Increased local spending</td>
</tr>
<tr>
<td></td>
<td>• Heightened civic engagement</td>
</tr>
<tr>
<td></td>
<td>• Community wealth building</td>
</tr>
</tbody>
</table>

Source: Project Equity
An overview of the process and flow of the transition into employee-owned:

**STEP 1 Determine Business Owner Goals**
- Reasons for selling and expectations.
- Needs and expectations for future income.
- Future involvement in the business.
- Values for the business regarding employees, community, and legacy.
- Goals for retirement.

**STEP 2 Assess Feasibility and Options**
- Conduct business valuation.
- Review business infrastructure, employee talent, and performance.
- Review business debt capacity and explore various types of scenarios for financing.
- Assess Co-op model fit for employees.
- Develop succession planning options for the unique needs of the owner and project.
- Develop roadmap for the business transition.

**STEP 3 Determining Deal Structure and Timeline**
- Define owner’s role and timeline in the transition to worker owned.
- Design training, logistical support, and decisions for employee owners.
- Support the ownership culture with training and professional advisors.
- Develop deal structure, negotiate terms of sale, and line up financing.

**STEP 4 Employee-Owner Training and Support**
- Assist in infrastructure design (e.g., defining board of directors, councils or committees, and develop by-laws).
- As needed, provide technical assistance and training in topic such as: Assist in quality training, interpreting financial statements, understanding finances, developing legal resources, membership eligibility and shares, governance and agreements, debt and investments, strategic planning.
- Finalize financing options with legal and CPA review.

**STEP 5 Close Deal**
- The business takes out a loan, which combined with Seller Financing, provides for the transaction.
- Transition existing business structure to worker-owned structure.
- Sign the purchase and sale agreement to sell the company and assets being included.
- Employee-owners receive ongoing support.

There are local service providers ready to help you. See page 3 or contact info@sccvonline.org
Conversion Service Providers

Legal Service Providers
Rob Yanagida  
Co-op Law  
council@yanagida.us  
oaklaw.org

Van Baldwin  
Co-op Law  
510.548.2659  
vanbaldwin@pacbell.net

Sushil Jacob  
Tuttle Law Group Worker  
Consumer Co-ops and Co-op Conversions  
sushil@cooplawgroup.com

Sustainable Economies Law Center  
communications@theselc.org  
510.398.6219  
www.theselc.org

Certified Public Accountant
Teree Castanias, CPA  
Co-op Consultant for Operations  
tcastanias@aol.com  
www.castaniascpa.com

Dmitry Kustov  
Co-op Specialized CPA  
dkustov@kustovcpa.com  
www.kustovcpa.com

Book Keeping
Leslie Kosareff  
Returns and Bookkeeping Services  
kosareff@comcast.net

Sustainable Economies Law Center  
communications@theselc.org  
510.398.6219  
www.theselc.org

Business Technical Assistance
Santa Cruz Small Business Development Centers  
sbdc@cabrillo.edu  
831.479.6136  
www.santacruzsbdcc.org

El Pajaro Community Development Corporation  
831.722.1224  
www.elpajarocdc.org

USDA Rural Development  
Cooperative Technical Assistance (Agriculture)  
Karen Rich  
coopinfo@wdc.usda.gov  
(530) 792-5825  
www.rd.usda.gov/programs-services/all-programs/cooperative-programs

Concerned Capital  
concernedcapital@sbcglobal.net  
213.787.4532  
www.concernedcapital.org

Advisors
Santa Cruz Community Ventures  
info@sccvonline.org  
www.sccvonline.org

Project Equity  
info@project-equity.org  
www.project-equity.org

Democracy at Work Institute  
415.379.9201  
info@institute.coop  
https://institute.coop

Co-op Santa Cruz  
www.facebook.com/CoopSC831

Goal Screen  
David Apgar  
831.824.4273  
david@goalscreen.com

Sequoia Wealth Advisors  
Kristina Kuprina  
408.645.2500  
kuprina@sequoiawa.com

Lenders
California Coastal Rural Development Corporation  
Business Loans/ SBA Lender  
Loree Van Bebber  
loreedvanbebber@calcoastal.org  
831.424.1099  
www.calcoastal.org

Santa Cruz County Bank  
Business Loans/SBA Lender and Banking  
831.840.3871  
www.sccountybank.com

Shared Capital Cooperative  
Cooperative Business Lender  
612.767.2100  
info@sharedcapital.coop

Lighthouse Bank  
Business Loans/SBA Lender and Banking  
831.600.4000  
Lighthouse.Bank@lighthousebank.com

Local Enterprise Assistance Fund  
Cooperative Business Lender  
617.232.1551  
leaf@leaffund.org

This is only a list for reference purposes. If you would like to be included please contact info@sccvonline.org

QUESTIONS?
Contact Santa Cruz Community Ventures at info@sccvonline.org to learn how we can help.
Glossary

Employee-ownership
A business that is owned and governed by employees.

Conversion
The transition from an existing business structure such as LLC, Partnership, Corporation; to an employee-owned cooperative through the sale of the business to employees.

Governance
The oversight and decision-making in the business in relation to strategic direction, financial planning, and by laws.

Democratic Values
In addition to owning a share of the business, the employee owners participate in making decisions; one member, one vote.

Seller Financing
The business owner selling the business lends the business money for the purchase. The business sends payments to the seller, who earns interest on the loan.

About Us

Since 1989, SCCV has worked to build compassionate and equitable local economy that contributes to the region’s well-being through financial capability, asset building, and advocacy.

Businesses are an integral part of our daily lives. They are pathways to economic mobility and the backbone of our local economies through the jobs, services, and goods they offer.

At Santa Cruz Community Ventures we believe that businesses that are local, democratically run, take care of our environment and workforce, and whose products and services contribute to our well-being are businesses worth building and investing in.

Visit us at www.sccvonline.org