

Sell Your Business to Your Employees

CONVERTING BUSINESSES TO EMPLOYEE-OWNERSHIP

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					EMPLOYEE OWNERSHIP BENEFITS	
Options	 Preserve Legacy	 Market Value	 Tax Benefits	 Employees Retained	Workers	
Sell to Family	✓	?	?	?	Businesses	<ul style="list-style-type: none"> • Higher productivity & growth • Lower employee turnover • Improved longevity & lasting legacy
Acquisition	?	?	✗	?		
Employee Ownership	✓	✓	✓	✓	Society	<ul style="list-style-type: none"> • Increased local spending • Heightened civic engagement • Community wealth building
Close Down	✗	✗	✗	✗		

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

Business Technical Assistance

Santa Cruz Small Business Development Centers

sbdc@cabrillo.edu
831.479.6136
www.santacruzsbdc.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

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

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
kkuprina@sequoiawa.com

Lenders

California Coastal Rural Development Corporation

Business Loans/SBA Lender
Loree Van Bebber
loree_vanbebber@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.

SCCV

SANTA CRUZ COMMUNITY VENTURES

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