

SELLING YOUR BUSINESS

If you own a privately held business and are preparing to sell, an employee stock ownership plan (ESOP) may be the best option. There are significant financial benefits to selling to an ESOP for both the seller and the company, as well as flexibility in the timing of the sale and the percentage of shares to be sold. Additionally, you can preserve jobs and the integrity of the business that you have built over the years.

Ready to move on? →
Sell to your employees...

Financial Benefits

An ESOP is funded by deductible corporate contributions to a special employee trust. It is the only way a company can use pre-tax future corporate earnings to buy shares from an owner. In addition, owners can defer taxation on the gain.

Flexibility

An ESOP enables you to sell your business at once or gradually in installments. Additionally, you have the option to define your role in the company moving forward. You can continue in an executive role or relinquish managerial duties.

Rewarding Employees

They helped you build your company; now you can give back. Selling to your employees protects their jobs and provides them with a significant retirement benefit. You also protect the integrity of the business you worked so hard to build, and can rest assured that it will not be dismantled.

From an owner's perspective

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why selling to employees
was a good choice for
these owners.



weighing the options



As part of his retirement planning, the owner of Windings, Inc. put an ESOP in place in 1998 to handle the company's equity transition. He gradually sold his shares to the ESOP, which started with 17% and eventually became 100% in 2008, when he stepped down as CEO. Because of the ESOP, the owner was able to slowly transition out of both ownership and management.



The owner of Carris Reels Inc. decided to sell the company to employees in 1996 when it became apparent that none of his four children was interested in the business. The ESOP made good business sense, provided a vehicle for rewarding employee contribution to the company success, and supported the owner's philosophy of giving back to the community.



Private ownership has been a cornerstone of S&C throughout the company's 100-year history. When it came time for the founder to retire, his son took over running the business. When the son died, his three daughters owned the company, but had no interest in running it. The company proposed an ESOP, which would provide the daughters enough tax benefits to bridge any disagreements about the sale price.

Keep the business in the family. Many owners hope to keep their business in the family, and there are many cases of successful companies remaining family-owned for generations. However, only 30% of businesses will make it to the second generation, and only 15% will make it to the third. You should consider whether keeping the business in the family is a realistic option.

Sell to managers. Selling to current leadership is a good option if the buyers have the capital available. Often individuals are not able to acquire sufficient funds. Furthermore, there are no rollover options available for the seller with this type of transaction.

Sell to an outside buyer. Although they often present attractive offers, competitors may dismantle your company and lay off a large portion if not all of the workforce. Furthermore, outside buyers often require a number of legal caveats that may prevent you from liquidating immediately or may drastically reduce the effective purchase price.

NCEO

Interested in learning more about succession planning with employee ownership? Contact us!

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