Acquisitions Evolution: An Alternative Path to Employee Ownership

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This month: Collective Power of Employee Ownership (Part 2)



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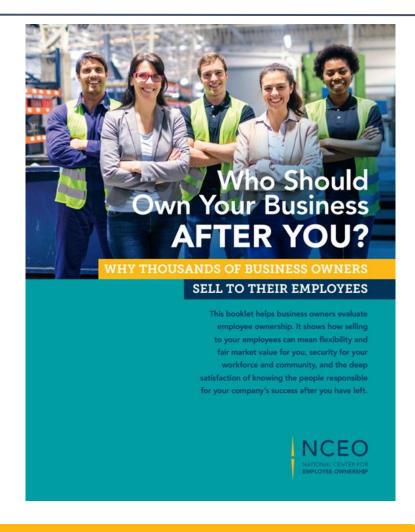
July 1st - Weekly Webinar Series | Repurchase Obligation 101 July 8th - Weekly Webinar Series | From ESOP to Ownership: Navigating Change and Transition

NCEO Forum Philadelphia, PA | August 27-29, 2025

https://forum.nceo.org/registration









The employee-ownership menu

- 1. Employee stock ownership plan ("ESOP")
- 2. Worker cooperative
- 3. Equity compensation / direct employee ownership
- 4. Employee ownership trust
- 5. Being acquired by an employee-owned company



Data on acquisitions

In February, the NCEO released a review of acquisitions by ESOP companies. On average, annually ...

... there are over 270 acquisitions

... representing over 19,000 employees

See our blog post: New Data on ESOP Companies Acquiring Non-ESOP Companies



POLLING QUESTION 1

What do you most want to preserve or protect when exiting your business?

- a) Brand
- b) Legacy
- c) Investment in Community
- d) All of the above

GETTING STARTED

The New York Times

WEALTH MATTERS

For Owners Looking to Sell, an Option That Keeps Their Company Intact

A sale to employees keeps the company local, and that may be more important to some owners than getting the highest price.

(Published October 23, 2020)



Lynn and Michael Terry of Chickasha, Okla., sold Cimarron Trailers, to their employees. "We thought, this has got to go on," Mrs. Terry said. Nick Oxford for The New York Times





POLLING QUESTION 2

The exit I want will:

- a) maximize the price paid to me.
- b) give FMV and maximize company's continuity.
- c) give me flexibility in my tax treatment.
- d) other something else



THE TRANSACTION

POLLING QUESTION 3

What are your next steps?

- a) Find out more about setting up my own ESOP.
- b) Find out more about being acquired by an ESOP.
- c) Look at alternate exit paths.
- d) Not sure undecided.

NCEO RESOURCES

Exploring the Due Diligence Process

Preparation

Pursuing the Target(s)

Advancing the Transaction Due Diligence Process Execute the Transaction

- Develop target criteria
- Identify capital funding sources (debt, cash, other)
- Establishing criteria for evaluating targets
- Formation of the Acquisition Team
- Identify <u>Integration</u>
 Team

- Initiate searches
- Contact campaign
- Follow-up calls
- Solicit meetings and exchange of initial information
- Courting the Target(s)
- Selecting the <u>Integration Team</u>

- Execute NDA and exchange information
- Management meetings
- Assessing preliminary value
- Present Indication of Interest ("IOI")
- · Preliminary due diligence
- Integration Team builds detailed plan

- Quality of Earnings ("QofE") or financial due diligence study
- Refine valuation results/scenarios
- Consider relative fairness matters
- Negotiate detailed Letter of Intent ("LOI")
- Integration Team assigns execution tasks

- Solidify final components of Consideration (including earn-outs and employment agreements)
- Draft definitive agreements
- Resolve open issues
- · Close the transaction
- Integration Team begins execution

FINAL QUESTIONS & REMARKS