How to Keep Good Jobs Local
Employee Ownership Case Studies

EOX
EMPLOYEE OWNERSHIP
EXPANSION NETWORK

1

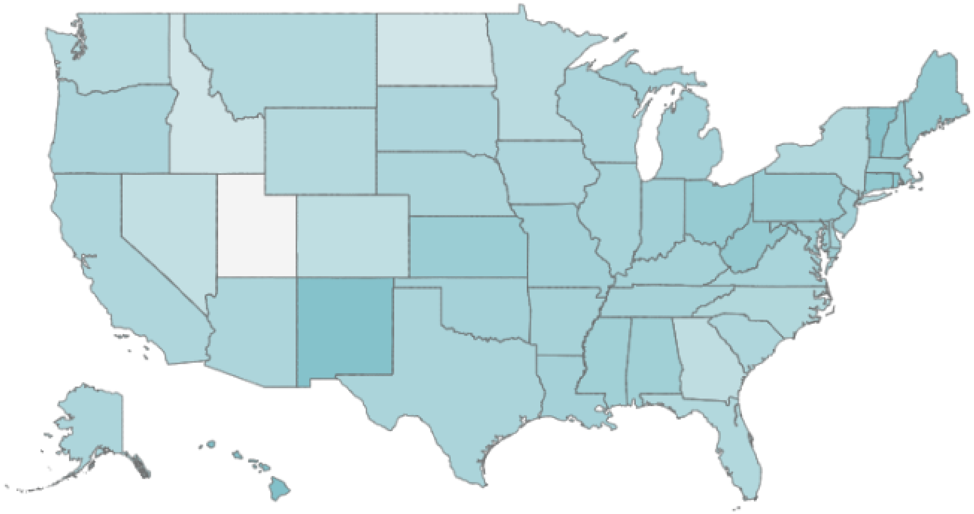
The Silver Tsunami of Business Owners

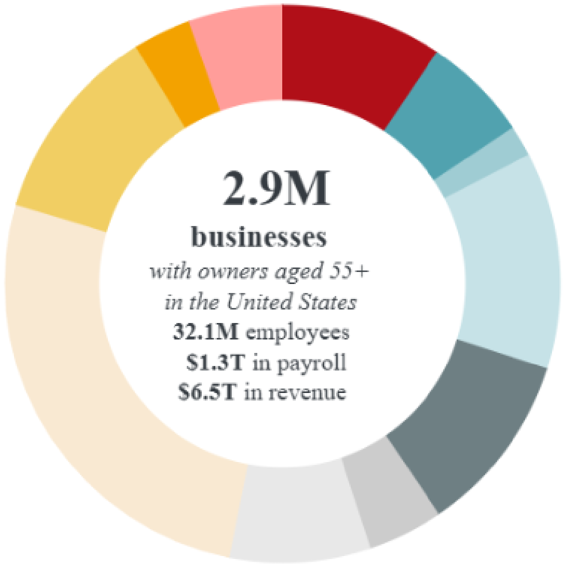
The Silver Tsunami of retiring business owners

control half of the businesses in the US

Hover over donut slices to view retiring business owners by industry.

Click on the map to discover the impact to your region.





Industries

- Accommodation & food services
- Admin & waste management
- Arts & entertainment
- Construction
- Health care & social assistance
- Manufacturing
- Other industries
- Professional services
- Retail trade
- Transportation & warehousing
- Wholesale trade

{ Project Equity }

Hover for methodology
Source notes >

View on Tableau Public   Share

2.9 million businesses

Owned by baby boomers

32 million employees

$6.5 trillion in revenue

$1.3 trillion in payroll

Data provided by Project Equity – www.project-equity.org/communities/small-business-closure-crisis/

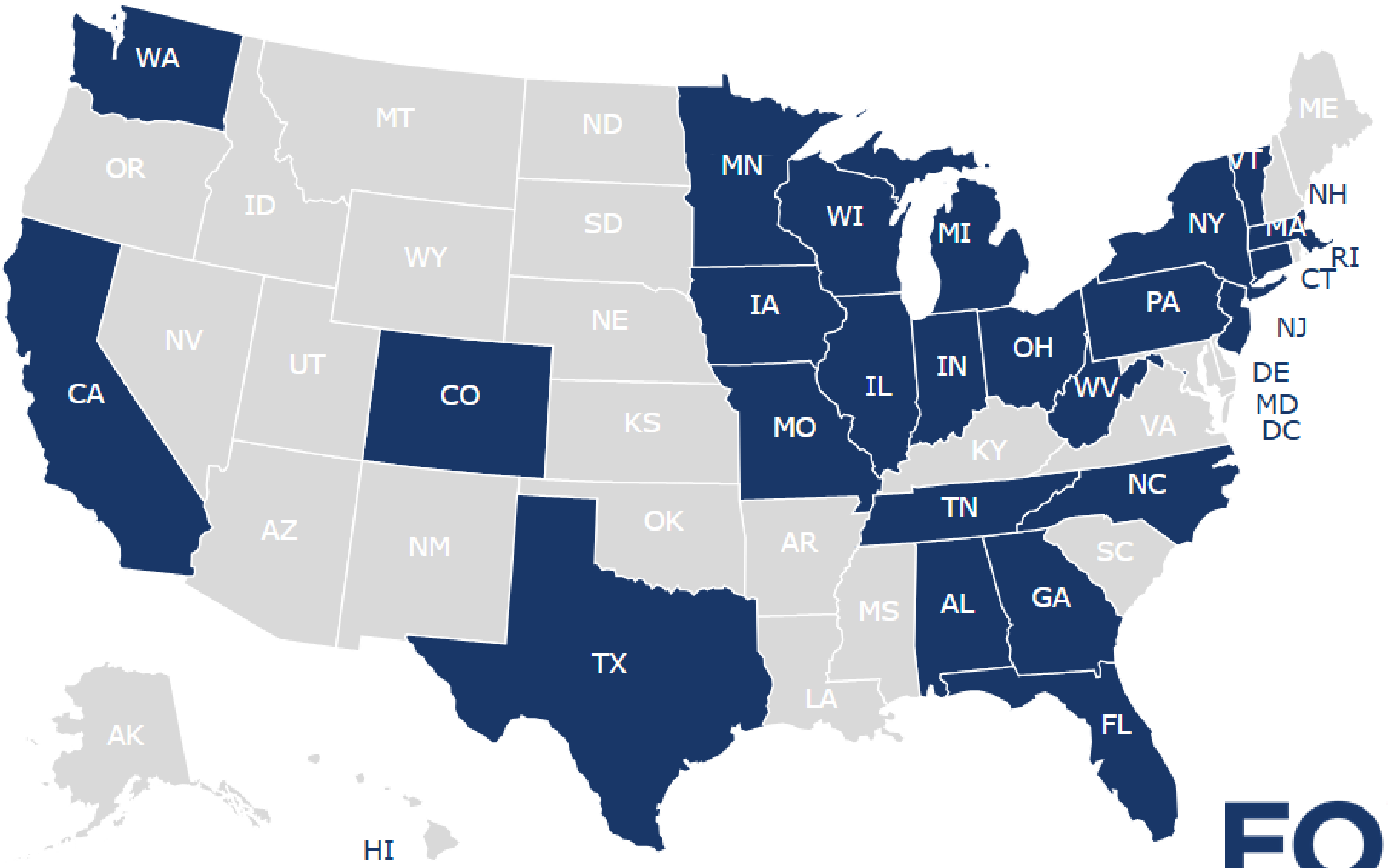
2

Employee Ownership Expansion Network

MISSION OF EOX

To significantly expand employee ownership through establishing and supporting independent nonprofit State Centers for Employee Ownership

“EOX puts boots on the ground”



EOX
EMPLOYEE OWNERSHIP
EXPANSION NETWORK

State Centers for Employee Ownership

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Employee Ownership

Employee Ownership is a Solution!

Employee Stock Ownership Plans (ESOPs)

An ESOP is a retirement plan that owns all or part of a company on behalf of its employees; ESOPs are the most common form of broad-based employee ownership in the United States.

Worker Cooperatives

These businesses are directly and wholly-controlled by the employee-owners, who share in profits and elect and serve on the Board of Directors.

Employee Ownership Trusts (EOTs)

EOTs are a more flexible form of broad-based employee ownership that, like ESOPs, can be adapted to incorporate democratic principles and profit sharing. This model is well-established in the U.K. and newer to the U.S.

Power of Employee Ownership

✓ STRONGER companies

- ESOPs have been found to boost sales and employment by more than 2% a year compared to similar companies without ESOPs.

✓ More PROSPEROUS employees

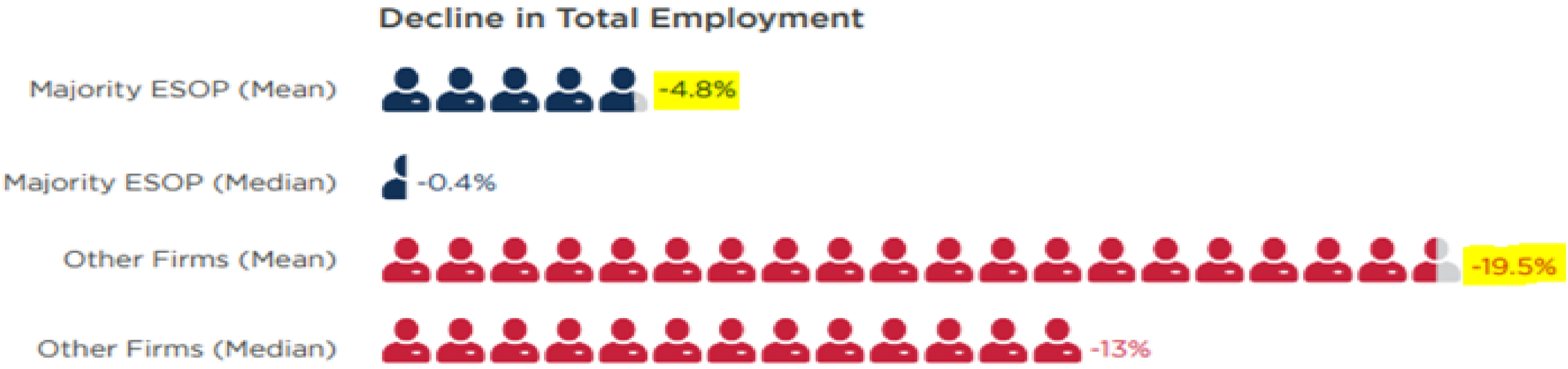
- The benefits of employee ownership largely come in addition to comparable or higher wages. One study found employee-owners earning between 5% and 12% more in median wages compared to employees in matching non-ESOP companies. Employee-owners typically enjoy better benefits, including job training.

Data provided by the National Center for Employee Ownership (NCEO.org)

Differences in COVID Response Effects on Job Retention; Income in ESOP Versus non-ESOP Firms

Employees were retained at significantly higher rates by employee owned companies during the pandemic.

ESOP companies were between 3 and 4 times more likely to retain staff, at all levels, the study found. ESOPs were 3.63 times more likely to retain non-managers, and 3.95 times more likely to retain managers. Stated differently, employee owned businesses experienced job loss at a rate of less than approximately 25% of non-employee-owned firms.



2020 Study by The Employee Ownership Foundation and Institute for the Study of Employee Ownership and Profit-Sharing School of Management and Labor Relations, Rutgers University

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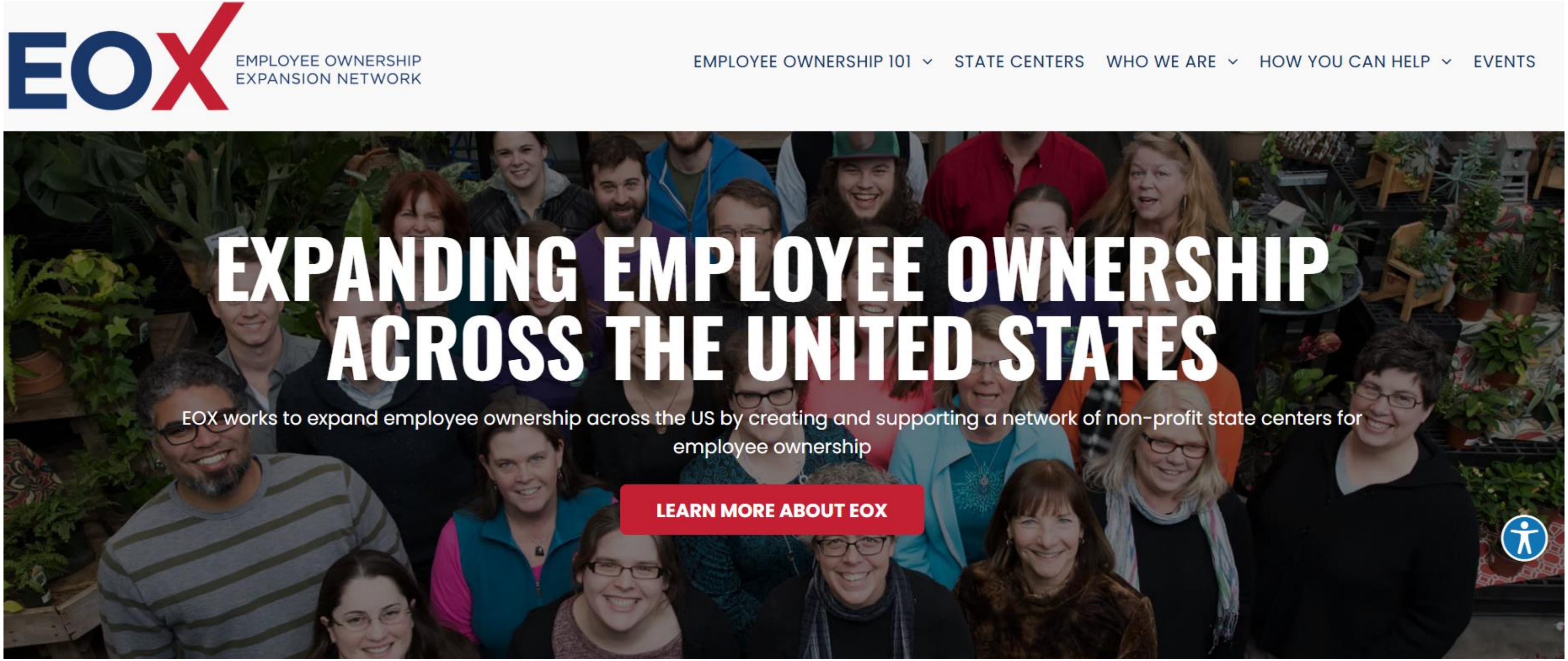
Resources



EOXnetwork.org

IN PARTNERSHIP WITH THE EMPLOYEE OWNERSHIP EXPANSION NETWORK (EOX)

Learn more about employee ownership

This page is for anyone who wants to learn more about employee ownership, especially if you want to explore whether employee ownership might be the right fit for your company or your clients.

You likely found this page as a link from our colleagues at the Employee Ownership Expansion Network (EOX). EOX can connect you with your state's employee ownership center to help get you in touch with nearby business owners and others with expertise in employee ownership. This page will give you the top resources we at the NCEO offer to answer your questions about employee ownership.

EOX EMPLOYEE OWNERSHIP EXPANSION NETWORK

NCEO NATIONAL CENTER FOR EMPLOYEE OWNERSHIP

Resources to get started

- ESOPs +
- Employee Ownership Trusts (EOTs) +
- Equity Compensation / Direct Employee Ownership +
- Worker Cooperatives +
- Being Acquired by an ESOP Company +

NCEO.org/NCEOX

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Journey to Employee Ownership

CUBISCAN

KSC

AN EMPLOYEE OWNED COMPANY

- Founded in 1987
- Early pioneer in the dimensioning industry
- Design, develop, manufacture, and sell products
- Based in the USA: Farmington, Utah
- Private company with 100+ employees
- Partnership for 20 years with German company
- Together we share 30+ worldwide distributors
- Most recognized worldwide dimensioning brand

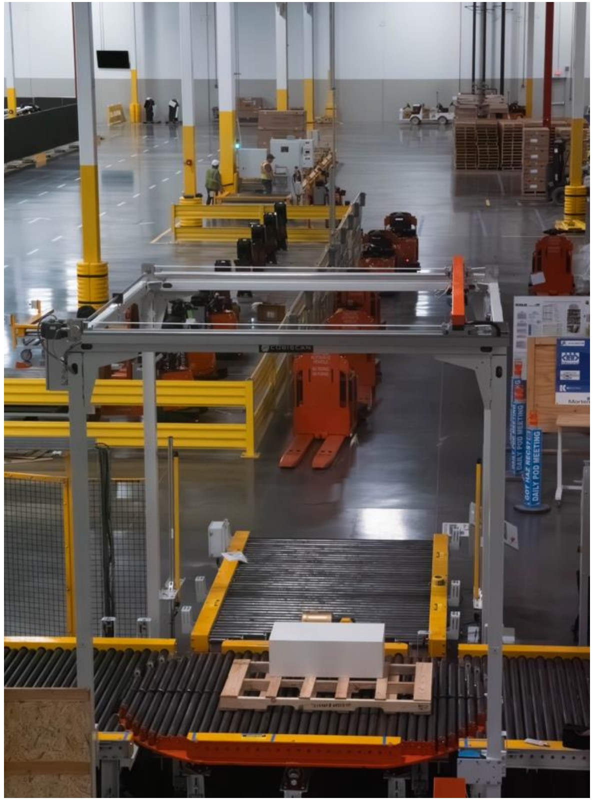
PRODUCTS

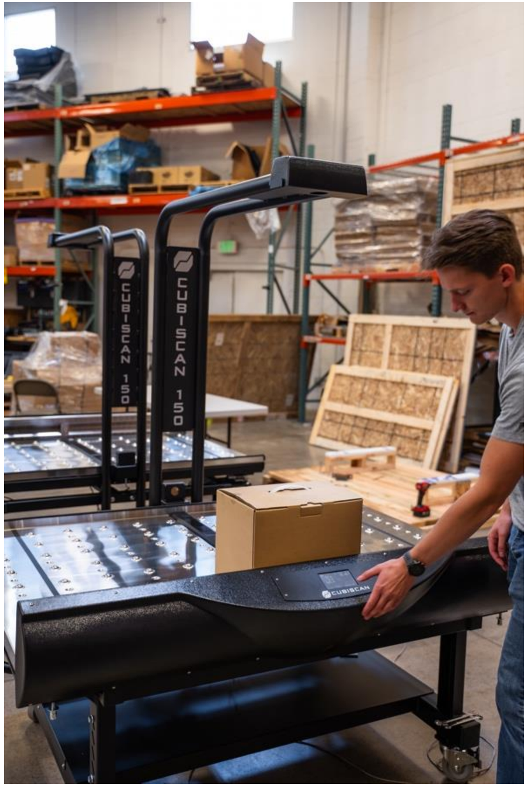
Cubiscan 325

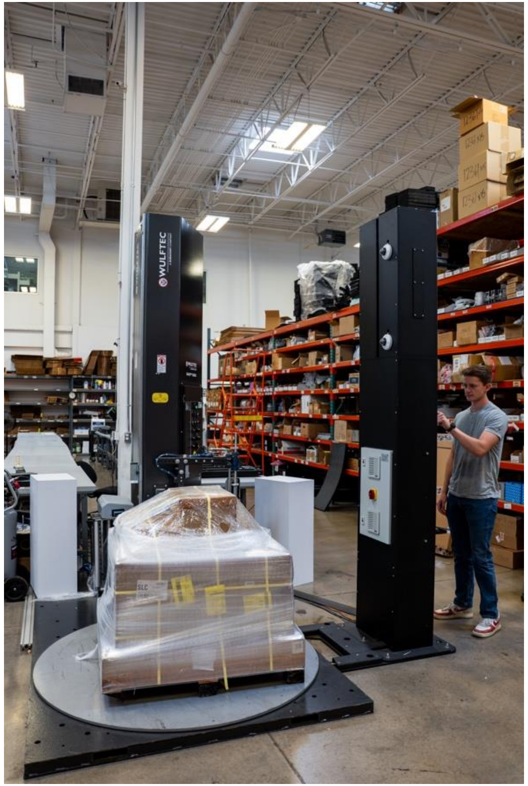
Cubiscan 100

Cubiscan 1200

CUBISCAN®







KENNY SENG CONSTRUCTION

- Started in 1985 after Kenny was laid off from a construction company
- Scraped together $15,000 after selling his camper and used retirement $$
- Started with 1 backhoe
- Grew to 150 employees by 2018

KENNY SENG CONSTRUCTION

40 YEARS OF EXCELLENCE!

Construction Services

UTILITY PIPING

MATERIAL PROCESSING

TRUCKING

KENNY SENG CONSTRUCTION

40 YEARS OF EXCELLENCE!

Construction Services

PROJECT MANAGEMENT & ESTIMATING

EARTHWORK

CONCRETE


1985
2025
KENNY SENG CONSTRUCTION
40 YEARS OF EXCELLENCE!


BRUINS
BRUINS


1985
2025
KENNY SENG CONSTRUCTION
40 YEARS OF EXCELLENCE!

CUBISCAN ESOP

- Clark owned 53% of a privately-held company. His options were:

    1) stay the course, 2) sell to third-party, 3) create an ESOP.

- An ESOP allowed: other shareholders to sell their privately-held stock (harvest wealth), provided the best long-term opportunities to our employees, and honored/preserved the relationships with our German partner and international Distributors.

CUBISCAN ESOP

- 2020 became 47% ESOP owned
- Clark stayed to see that things worked, to help colleagues with the transition, and to assure employees, German partner, and Distributors of continuity.
- September 2025 – Became 100% ESOP owned when Clark sold his 53% ownership using a 100% seller-note transaction.
- Retained Chairman of the Board position.

KSC ESOP

- Kenny and his wife owned 100% of KSC
- A retired contractor offered to buy the company but price was way too low
- In 2018 he started working with an employee to buy the business.
- That transaction “didn’t go so well”
- Increased management team experience in 2018 and one suggested an ESOP
- A suppliers wife convinced him that ESOP was the way to go

KSC ESOP

- 2020 became 100% ESOP owned
- Kenny could have liquated the company, but the ESOP transaction was 3.2 times the estimated liquidation value
- He received 40% of the value at closing from the bank loan taken out by the company
- Seller financed the other 60%
- Received "warrants" which he used for estate planning. They have grown considerably

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State Level Employee Ownership Programs

State Level Employee Ownership Legislation

New EO Transactions

** *Tax Breaks* – selling shareholders, companies, and lenders
** *Tech. Assistance/Feasibility Studies* – grants or tax credits
** *Creation of EO Office in State Government*
** *Funding for Outreach & Education* – non-profit organizations
** *Easier Access to Capital* – loans and loan guarantees
** *Keep Minority/Women Owned Business (MWBE) Status*
** *Create worker cooperative and EOT statutes*

Current EO Companies
** *Preferential Treatment* – similar to MWBE
** Access to *Capital for Expansion* - loans and loan guarantees

States with Legislation
Introduced or Passed

California – EO office

Colorado – Numerous EO programs

Iowa – Feasibility/Tech. Assistance

Massachusetts – EO Office

Michigan - Feasibility/Tech. Assistance

Missouri – Tax break

New Jersey- Feasibility/Tech. Assistance

New York – Professional service corp. EO

Pennsylvania – Tax, Tech. Assistance, Loans

Tennessee – Feasibility/Tech. Assistance

Washington – EO Office

Wisconsin – Outreach, EO Office & Tech. Assist

<u>SSBCI- State Small Business Credit Initiative 2.0</u>

- Must be used for an eligible business purpose which includes, but is not limited to
  - startup costs, working capital, business procurement, franchise fees, equipment, inventory, as well as the purchase, construction renovation or tenant improvements of an eligible place of business that is not for passive real estate investment purposes.
  - excludes acquiring or holding passive investments such as commercial real estate ownership, or the purchase of securities; and lobbying activities

- Ineligible uses:
  - repayment of a delinquent federal or state income taxes
  - repayment of taxes held in trust or escrow, e.g. payroll or sales taxes
  - reimbursement of funds owed to any owner, including any equity injection or injection of capital for the business' continuance;
  - **cannot be used to purchase ownership interest of any owner of the business** EXCEPT:
    - For the purchase of an interest in an employee stock ownership plan, worker cooperative, or related vehicle. <u>The transaction must result in the employee stock ownership plan or other employee-owned entity holding a majority interest (on a fully diluted basis) in the business.</u>

    - **The Treasury department has confirmed that this provision allows current ESOP owned companies (regardless of percent ESOP owned to use SSBCI funds for the acquisition of 100% of another company**

Michigan Department of Labor & Economic Opportunity

Transition to Employee Ownership Grant Program

MICEO

MICHIGAN CENTER FOR EMPLOYEE OWNERSHIP

TTEO Grant Program

Three parts to the grant

- $400k to engage professionals to explore/become Employee Owned
- $50k for MICEO to develop and administer the program
- $50k to develop Employee Ownership Trust Best Practices in Michigan

Other Loan Programs

- Small Business Administration (Guarantees)
  - 7A
  - 504
  - Microloans (less than $50,000)
- US Department of Agriculture (Guarantee) (Rural Focus)
  - Business and Industry Program (B&I)
- State, City, or other programs

TTEO Professional Assistance Program Activity to Date (since July 8th)

- 48 companies completed "preapplication process"
  - Represents 1440 employes & $232.7 million annual revenue
- 20 proceeded to 2nd stage – Requested "full applications"
- 5 companies approved for program & 5 are pending
- Still waiting on 8 applications & 2 decided not to move forward
- 15 referrals to Michigan SBDC & 13 to other resources
- 4 are candidates for other State of Michigan programs

Contact Information

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