

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				
Options	 Preserve Legacy	 Market Value	 Tax Benefits	 Employees Retained
Sell to Family	✓	?	?	?
Acquisition	?	?	✗	?
Employee Ownership	✓	✓	✓	✓
Close Down	✗	✗	✗	✗

EMPLOYEE OWNERSHIP BENEFITS	
Workers	<ul style="list-style-type: none"> Better pay and benefits Assets and business ownership Voice in key decisions
Businesses	<ul style="list-style-type: none"> Higher productivity & growth Lower employee turnover Improved longevity & lasting legacy
Society	<ul style="list-style-type: none"> Increased local spending Heightened civic engagement Community wealth building

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.

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

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.

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

Terece Castanias, CPA
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 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

