

The Deal Right Under Your Nose



Adding Value to Clients through Worker-Owner Transactions

Presented to:
The Michigan Business Brokers
MBBA Association Michigan
Business Brokers
Association

April 21, 2017

Presented by:
The Center for Community Based
C2BE Enterprise

Your Presenters



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Support



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About C2BE

501(c)(3) partnered w/ the Law Office of Deborah Groban Olson

Mission: *“To create living-wage jobs through worker ownership in all of its forms.”*

Team of attorneys w/ over 100 years combined experienced in worker-ownership transactions.

Team of Technical Service Providers & Economic Development Partners serving Detroit’s worker-ownership ecosystem.



Deborah Groban Olson,
Executive Director &
Attorney


We help you get the deal done!



A Looming Problem...

How many baby boomers will retire in the next 20 years




C2BE 

A Looming Problem...

70 million

!

C2BE 

A Looming Problem...

Those 70 million baby boomers will leave...

How many businesses ?

How much in Assets?



A Looming Problem...

Those 70 million baby boomers will leave...

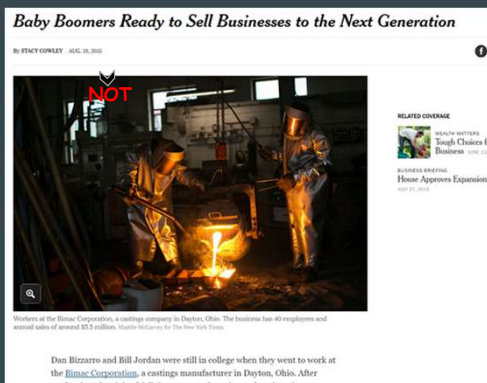
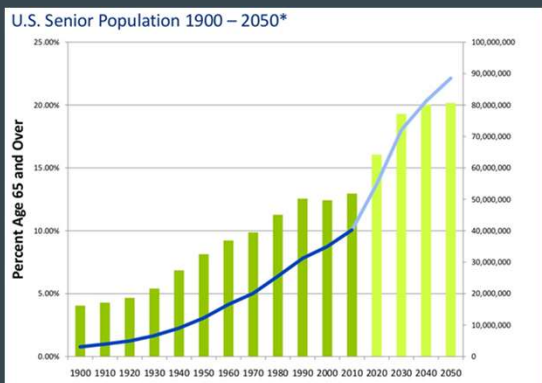
12 Million Businesses
AND
\$10 Trillion in Assets

Source: <https://cabb.org/news/baby-boomers-incredible-numbers-are-buying-and-selling-businesses-part-1-2>



The Silver Tsunami

70-80% don't have a succession plan



Sources:
U.S. Census Bureau, U.S. Department of Commerce. Projections of the Population by Age & Sex for the U.S.: 2010 to 2050
<https://cabb.org/news/baby-boomers-incredible-numbers-are-buying-and-selling-businesses-part-1-2>

Traditional Options for Owners & Brokers...

Bequeath to family member...*IF there's someone to bequeath to.*

Sell to a strategic acquirer...*IF there is one. And what happens to the business?*

Liquidate & Shut it down... *No winners.*



Employee Ownership as a Solution

Worker Cooperative

Follow 7 Co-Op Principles, incl. 1 worker-1 vote

Can be structured for capital gains tax deferral for seller

Employee Stock Ownership Program (ESOP)

Very common, Can be Expensive to setup & maintain

Can be structured for capital gains tax deferral for seller,

S corporation owned 100% by an ESOP pays NO federal income taxes

Employee Ownership Trust (EOT)



Worker Ownership...Under Your Nose



\$4.7B in Revenue, Advertising & Marketing Co-op



90 workers (46 of them are worker owners)



Industrial Components Manufacturer, 16,000 Employees (100% employee owned)



182,000 employees, ESOP Highest Customer Satisfaction of any US Supermarket

Sources:

National Quality Research Center Annual Supermarket Survey (Publix scored 83/100); Financial-Advisor Magazine Online, The 10 Largest Employee-Owned U.S. Companies; Forbes.com, How Ace Hardware Turned Corner Stores Into A \$4.7 Billion Co-Op



Worker Ownership...Stabilizing Economies...

Stats show that employee-ownership creates businesses that are:

- More Innovative
- More Profitable
- More Resilient

Employee-owned business are more likely to:

- Pay higher wages
- Remain locally rooted
- Benefit local economies
- Increase equity in the community

Source: *Working and Rebuilding Together: Worker Cooperatives as an Economic Development Tool*, Woodrow Wilson School of Public & International Affairs, Princeton University



Arbor Assays & C2BE, a Michigan Love Story



Arbor Assays becomes First Employee-Owned US Life Sciences Company


February 06, 2017 11:33 AM Eastern Daylight Time

ANN ARBOR, Mich.--(EON: Enhanced Online News)--On January 1, 2017, Arbor Assays became the first employee-owned (EO) life sciences company through the use of a "perpetual trust." The owners sold their interests to the employee trust and provided seller financing. This method of employee ownership maintains the company perpetually for the benefit of its employees. While a relatively new technique in the United States this arrangement is more common in Great Britain where "perpetual trusts" are widely recognized.

Founded in 2007 by Drs. Russell Hart, Nancy Schmidt and Barbara Scheuer, Arbor Assays is an Ann Arbor company that designs, develops, and manufactures detection and immunoassay products for important research biomolecules. Bobbi O'Hara, R&D Project Manager at Arbor Assays, led the employee group through the transaction as the Employee Representative. Russ, Barb and Bobbi are Directors of the Perpetual Trust that now owns the stock of Arbor Assays, Inc.

A number of law firms were involved in the transaction. Graeme Nuttall, at Fieldfisher in the UK, dealt with setting up the UK trust. Graeme has been intimately involved with drafting the UK government policy and laws governing Employee Ownership. The company used Bruce Elliott at Conlin, McKenney & Philbrick, and Christopher Mocerri at Jaffe, Raitt, Heuer & Weiss for US legal work. Attorney Deborah Olson was hired by Arbor Assays to ensure that the company is run for the benefit of the employees.

Russell Hart commented: "We want Arbor Assays to remain an independent and successful business and were impressed by how the perpetual trust model can achieve this. Shares are held in trust permanently for all employees. This means there are no repurchase obligations that can destabilize a company's financial status. Profits normally distributed to investors instead go to employee bonuses."



From the Owner's Mouth...

Selling Owners, Russell Hart

"We want Arbor Assays to remain an independent and successful business and were impressed by how the perpetual trust model can achieve this . . . [i]t has been shown in many cases that EO companies are more profitable, have higher employee retention rates, have happier work environments and survive longer than traditional companies."

New Employee Owner, Bobbi O'Hara

"Making the decision to transition from private ownership to perpetual trust speaks volumes about the faith in our collective competencies and the importance in taking care of each other, not just as coworkers, but as a community with a common goal."



We Need YOU to...

1. Understand that employee ownership can:
 - Create deals where none exist
 - Save deals that are falling apart
 - Solidify your seller's legacy in their community
 - Save & Create Jobs
2. To recognize employee ownership as a deal option for your clients, and
3. To call C2BE!!!



Brokers...Expanding Worker Ownership...

What if..

You started mining groups of workers (engineers, construction workers, machinists) to see if they'd want to own their business??

What if they came to you?

You became known as the broker who kept "that business" local??

What if you partnered with your City Council's Business Retention Team?

What if you started it?

IMAGINE!



Conversion...A Win-Win-Win-Win Strategy

Business Owner (Seller)

- Sells Their Business
- Receives Tax Benefits
- Leaves a Legacy!

Worker/Owners (Buyer)

- Becomes an Owner! Shares Profit!
- Keeps a Job!
- Creates Jobs!

The Community/Stakeholders

- Keeps a Local Business Open
- Jobs & Stability!

Brokers, Attorneys, Accountants, C2BE

- Completes the Transaction! (Gets Paid)
- Happy Clients (Referrals)
- Niche Practice (Be a Specialist)

Contact Us! Visit Us!



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