



# YOU BUILT YOUR BUSINESS

"This is a structure that allows the company to continue forward into the future. Everyone has the same commitment and dedication. Now they're sharing in the fruits of their labor through ownership."  
-Tim James

# SECURE OUR FUTURE THROUGH EMPLOYEE OWNERSHIP

Photo: Dylan James, a shop technician, works at Ewing Controls. Source: Greenfield Recorder

# DAYTON REGION



"It's money and opportunity in everyone's pocket at the end of the day."  
-Austin Weber

**DACO: A machine shop near Milwaukee, WI**

After 30 years, the founders sold DACO to their 50 employees through an ESOP in 2017. A year after the sale, DACO had hired 8 employees, acquired 4 major clients, and increased revenue by 35%.

Photo: DACO President Randy Weber speaks about planning the transition to employee ownership with his son and Supply Chain Manager, Austin. Source: West Bend Daily News

**Business Owners Reach Retirement.**

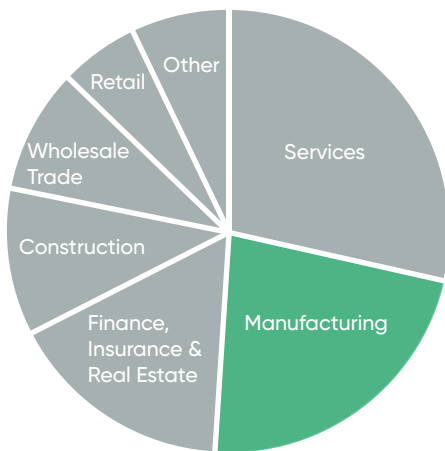
In 2012, 71% of manufacturing firm owners nationwide were Baby Boomers or older and are likely to retire in the next decade.

Many owners have decided to sell their companies to their employees through Employee Stock Ownership Plans (ESOPs) or as CO-OPs.

**Manufacturers Build Good Jobs.**

Manufacturing is the second largest sector by employment in the Dayton region, with more living wage jobs than other top sectors.

65% of local manufacturers have fewer than 20 employees. For these small firms, a CO-OP may be a better succession strategy than an ESOP.



**ESOP Companies by Sector in the U.S.**  
2018



**Top Sectors by Employment in the Dayton Region**  
2017

# TRANSITIONS

## A secure future for you, your employees, and your business.

Through a sale to your employees, you can capture the market value of your business and design a flexible exit strategy for yourself, while rooting the business here in our community. **Two options for employee ownership:**



### CO-OP

In a worker cooperative, employees have the opportunity to become owners by fulfilling their work requirements and making an investment in the company.

Employee-owners participate in the oversight of the business through elected representatives to the Board of Directors. They also share in the profits based on hours worked, comparative salary, or another formula.

#### Key Benefits

- Preserve Mission
- Root Business in Community
- Flexible Structure
- Tax Benefits
  - Capital gains tax deferral for transition
  - Ongoing deductibility of profits allocated to employees

#### Key Challenges

- Fewer Financing Options
- Requires Key Employee Support

### 100% ESOP

An employee stock ownership plan, or ESOP, is a retirement plan that invests in company stock. A 100% ESOP-owned company can be structured to give employee-owners the right to elect representatives to the Board.

100% ESOP companies can operate free of income taxes on profit, but there are costs required for ESOP status that can be prohibitive for companies with less than \$5M in revenue or \$1M in payroll.

#### Key Benefits

- Preserve Mission
- Accessible Financing Options
- Significant Tax Benefits
  - Capital gains tax deferral (C-corps)
  - Exemption from federal corporate income tax (S-corps)
  - Ongoing deductibility of contributions to the plan

#### Key Challenges

- High Initial and Ongoing Costs
- Greater Audit Risk from IRS or DOL

# CASE STUDIES

## Ewing Controls

Automated controls for steam turbine equipment in Greenfield, MA.

After 16 years, the owners decided to sell to their employees as a worker-owned cooperative in 2017. They chose a cooperative because there are fewer regulations and costs than an ESOP. The management structure remained the same with the addition of a Board of Directors with elected representatives of the employee-owners.



Jeremy Laprade and Shane O'Connor, engineers at Ewing Controls, work at their facility. Source: Greenfield Recorder



Adam Miller and Brad Burns in DimcoGray's clean room. Source: Hi Velocity Media

## DimcoGray

Plastic parts for medical and other industries in Centerville, OH.

The company has been employee-owned through an ESOP since 1986. The employees elect members of the Board as well as representatives to a union committee. Because the employees understand their stake in the business, they are committed to ensure its success, whether by working longer hours, or cutting products that aren't profitable.

## How can you sell your business to your employees?

Schedule a conversation with CO-OP Dayton at [coopdayton.org/manufacturers](http://coopdayton.org/manufacturers).

**CO-OP Dayton** is a non-profit organization that develops worker-owned cooperative businesses to meet community needs, whether that's access to fresh groceries or to quality job opportunities.

We support business transitions to cooperatives and 100% ESOP companies with:

- legal structure and entity choice
- finance strategy and implementation
- employee engagement and training