



RUTGERS-NEW BRUNSWICK

Institute for the Study of Employee
Ownership and Profit Sharing

School of Management and Labor Relations



Employee Ownership, Succession Planning, and the New NJ Assistance Program

May 28, 2025



Session Overview

- **Welcome & Background:** Adria Scharf, PhD, Rutgers Institute for the Study of Employee Ownership and Profit Sharing & Brianna Hill, Team Lead – Economic Equity, New Jersey Economic Development Authority
- **Why Employee Ownership?** William Castellano, Professor of Strategic Human Resource Management at the School of Management and Labor Relations
- **NJ ESOP Company Stories:** Cat Dunham (PatchPlus Consulting) and Paulo Rodriguez-Heyman (Renova Environmental Company)
- **ESOP: How and Why Transition?** Stephen White (Onyx Partners Group) and Ashley Sarokhan (Lazear Capital)
- **New Business Assistance Program:** Brianna Hill, Team Lead – Economic Equity, NJEDA
- **Question and Answer Session** (*Please post your questions in the Q&A*)

Background: Employee Ownership Assistance

- In 2021, Governor Murphy established a Wealth Disparities Taskforce, an effort to lay the groundwork of remedying inequities faced by many New Jerseyans. The Taskforce recommended the establishment of a statewide employee ownership assistance program.
- A Request for Information (RFI) issued by the NJEDA revealed some hurdles other jurisdictions encountered when offering employee ownership assistance: the provision of technical, specialized services and familiarizing the public with employee ownership.

Background: Employee Ownership Assistance

To address the hurdles identified in the RFI, NJEDA:

- Entered into an MOU with Rutgers University School of Management and Labor Relations to launch an **Education and Outreach Campaign** with the goal of familiarizing the public with employee ownership models and ultimately increasing the number of employee-owned businesses throughout the state; and,
- In February, the Board approved two contractors to provide feasibility study services for businesses interested in transitioning to an ESOP.

Rutgers Institute for the Study of Employee Ownership and Profit Sharing

- Largest research operation in the world
- 200+ research fellows
- Home of the NJ/NY Center for Employee Ownership
- Shares Laboratory, Curriculum Library for Employee Ownership, University Consortium
- Online and in-person courses
- Annual conferences
- Federal and State policy analysis

smlr.rutgers.edu/InstituteEO

Why Employee Ownership?

Why Employee Ownership?

Growing Wealth Inequality

- The top 1% of households by wealth held 50% of total household wealth.
- The bottom 50% of households by wealth held only 2.5% of total household wealth.

Worrisome Retirement Statistics

- 60% of Americans are living paycheck to paycheck.
- The median net balance for people between 55 and 64 for retirement is \$134,000.
- 26% of retirees have higher expenses than expected.
- 43% of people are worried about outliving their retirement savings.

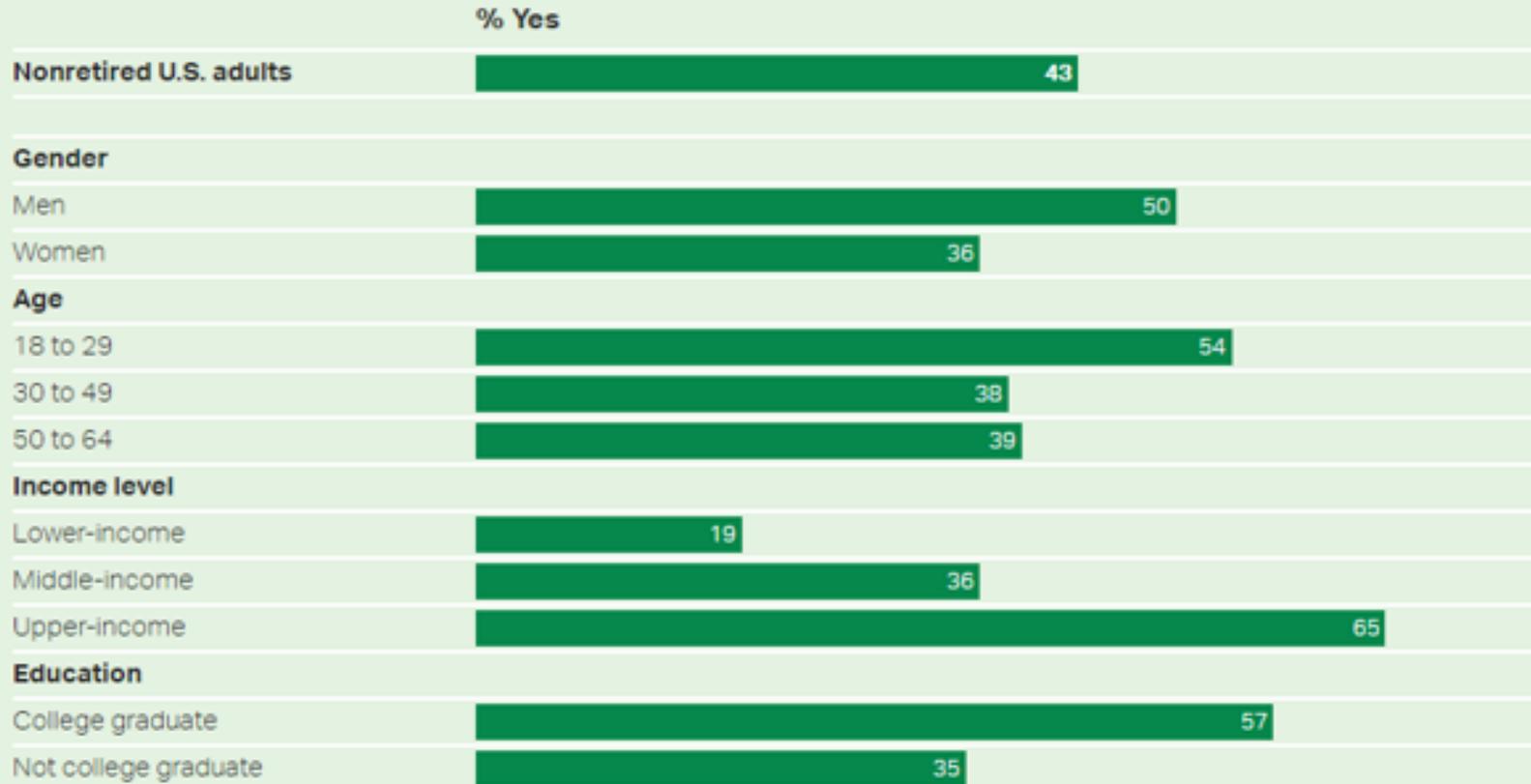
Stock Equity is an Important Component of Wealth

- The wealthiest 10% owns 93% of all stocks
- The bottom 50% own just 1% of all stock

Sources: Federal Reserve 2024
U.S. Census Bureau, 2023
Federal Reserve, 2023
Employee Benefit Research Inst., 2023
SEC.gov. 2023

Nonretirees' Retirement Outlook, by Gender, Age, Income and Education Level

When you retire, do you think you will have enough money to live comfortably, or not?



April 3-25, 2023

Lower-income is approximately the bottom third, middle-income is approximately the middle third, and upper-income is approximately the upper third.

[Get the data](#) • [Download image](#)

GALLUP®

U.S. Demographics and Privately Held Businesses

- 99% of businesses with \$10+ million in revenue are privately held or family owned
- 50%+ of U.S. business owners are over the age of 50
- The transfer of ownership from these baby boomers will create a multi-trillion opportunity (est. >\$5 trillion) over the next 20 years
- The vast majority of this wealth is held as stock in privately held companies



Small Business Exit Planning Survey

- 20% will sell to a strategic buyer
- 30% will sell to a family member
- 50% will close

JP Morgan Chase Small Business Survey,
2024



Employee Stock Ownership Plans (ESOPs)

Employee ownership in the form of a retirement plan

10.9m employees
164k average wealth*

*per active participant in closely held firms

Tool for business succession, liquidity, legacy



NJ ESOP Company Speakers

Cat Dunham

Chief Executive Officer

PatchPlus Consulting

Website: patchplusconsulting.com



PATCHPLUS CONSULTING

Paulo Rodriguez-Heyman

President and Founder

Renova Environmental Company

Website: renovaenviro.com

RENOVA
environmental company

Transitioning to an ESOP

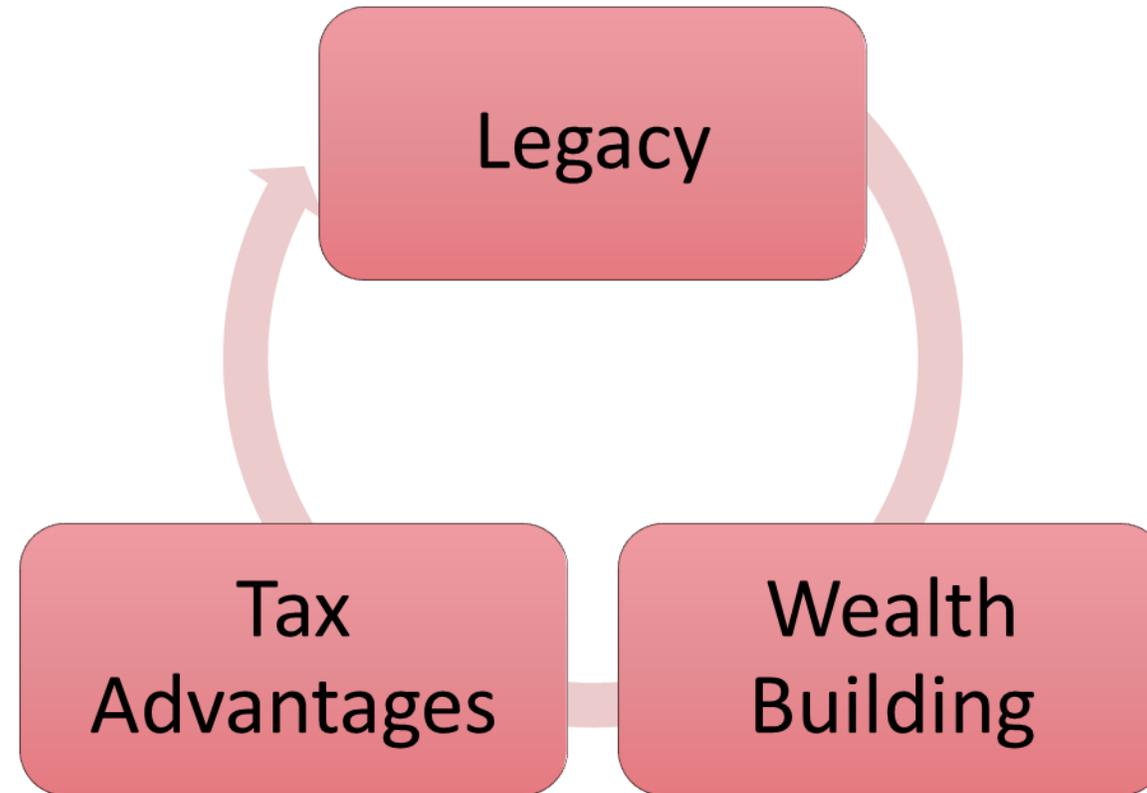
Why Transition to an ESOP?

Stephen A. White, Managing Partner



ONYX PARTNERS GROUP

ESOP Benefits for Employees, Selling Owners, and the Business



Tax Benefits for Employees

- ESOP accounts grow tax deferred until they receive distributions at retirement or leave the company.
- Distributions can be rolled over into an IRA or another Qualified Retirement Plan to continue tax deferred growth.



Tax Benefits for Business Owners

- Selling to an ESOP can offer significant tax advantages, such as the ability to defer capital gains taxes under certain conditions.
- 100% ESOP owned S Corp does not pay federal income taxes.
- Under IRC 404(k), C Corporation may take a deduction for dividends on the company stock held in the ESOP.



Legacy Benefits for Business Owners

- Preserving Company Culture
- Smooth Transition of Ownership
- Ensuring Business Continuity



Wealth Building for Employees

- ESOPs provide a way for employees to accumulate company stock over time, potentially building substantial wealth as the company's value grows. Employees receive company stock at no cost to them, often in addition to other retirement benefits.
- Studies show that employees in ESOP companies often have more retirement savings than those in non-ESOP companies.



Take Control of Your Business Succession: Ensure a Timely, Tailored Transition

Ashley Sarokhan, Managing Director

LAZEAR

Assemble the Right Team

INTERNAL

- Key Legacy Employees
 - CFO
 - COO
 - Key Trusted Person
- Family

EXTERNAL

- Exit Planning Advisor
- Financial Advisor/Family Office Advisor
- Attorney (Estate and Business)
- Investment Banker
- CPA

L A Z E A R

Organize Your Financials

FINANCIAL STATEMENTS

- Reviewed/Audited Statements
 - Income Statement
 - Balance Sheet
 - Cash Flow Statement
- Value Drivers/Metrics

FINANCIAL FORECASTING

- Outlook for Sustainable Growth
- This is what would be acquired!

L A Z E A R

Align the Transition with Goals

PERSONAL GOALS

- Retirement
- New Venture
- Personal Interests
- Philanthropy
- Personal Identity/Purpose/Fulfillment

FINANCIAL GOALS

- Estate Planning
- Cash Up-Front vs. Over Time
- Family Cash Flow Needs
- Minimize Taxes
- Diversification

L A Z E A R

Nine Reasons to Choose ESOP

1. Total sale proceeds typically exceed other exit options
2. Seller may potentially sell tax-deferred/tax-free
3. Company may become federal and state tax-free post-sale
4. Owner may continue to run the company and maintain operational control
5. Key employees may receive additional incentives
6. Due diligence is less intrusive and confidential—company information is not provided to competitors
7. Employees benefit from the success of the company, as owners
8. ESOP companies outperform non-ESOP companies and have increased retention
9. If you own real estate, you can maintain a tenant or sell the real estate to the ESOP

L A Z E A R

Employee Stock Ownership Plan Assistance Program

**Brianna Hill, Economic Equity
New Jersey Economic Development Authority**

ESOP Assistance Program

Product Details:

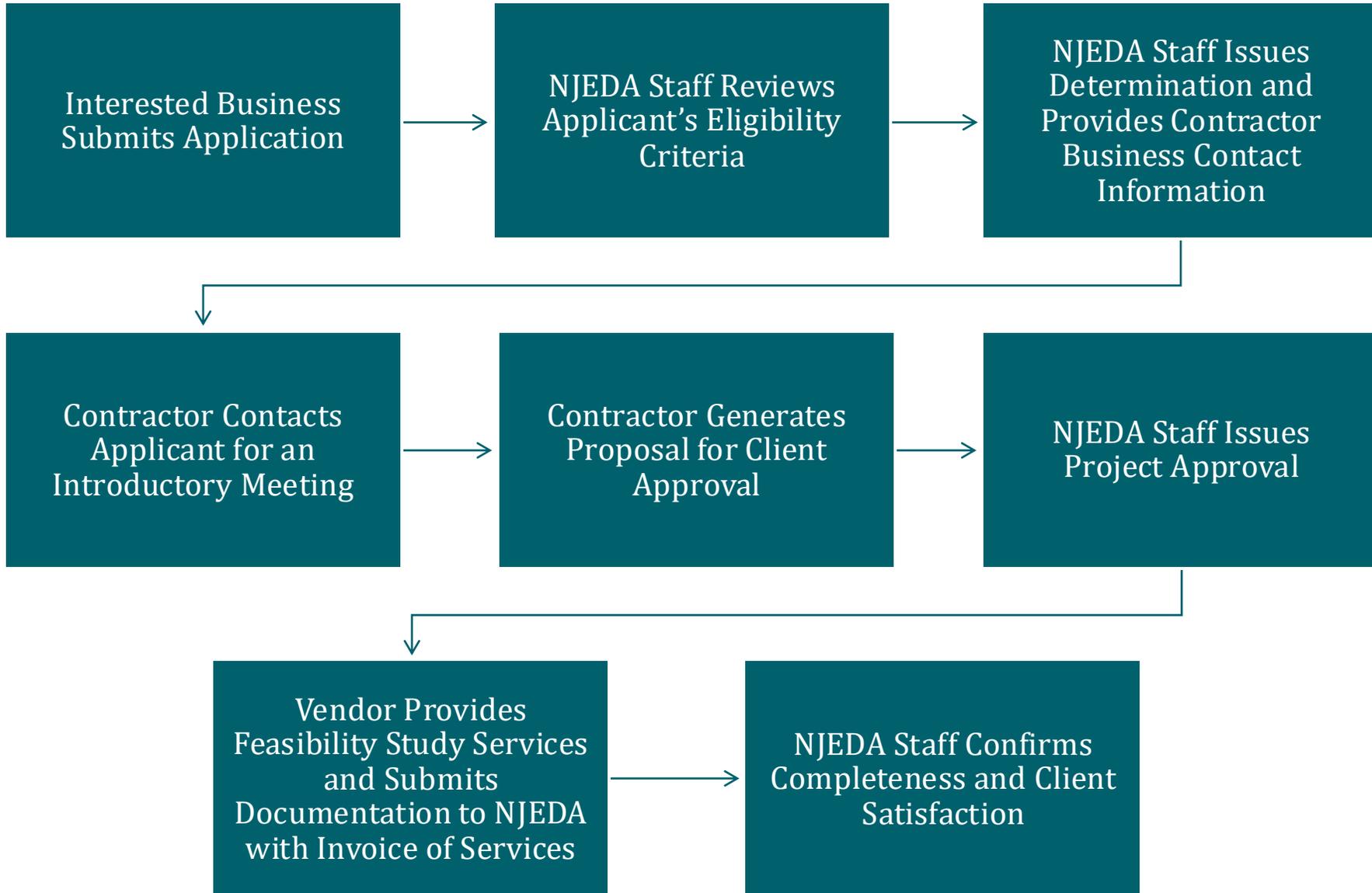
- The Assistance Program provides up to 90% of each interested business's Feasibility Study Services, not to exceed \$35,000 per business.
- Feasibility Study Services are defined as “tasks that may include, but may not be limited to, the analysis of a business' earnings with interest, taxes, depreciation, and amortization added back in (EBITDA), management team structure, structure and number of employees, value of a company, existing employee benefits, transaction structure, and any tasks that may be necessary to execute to assist a business in achieving the optimal metrics for an ESOP transition. Services should, at minimum, produce an in-depth, written assessment of the companies' outcomes based on the above measures.”
- In the end, businesses will walk away with an assessment of their candidacy for transitioning into an ESOP and recommendations of how to proceed with the transition.

ESOP Assistance Program (Continued)

Eligibility Requirements:

- Business must be located in New Jersey.
- Must employ at least 20 full time employees, evidenced by a current NJ WR30 and/or NJ 927 form.
- Businesses must be in good standing with NJ agencies and provide a current business tax clearance form.
- The business must complete a program application and submit all necessary documentation at time of approval.





Applications Are Now Open



EMPLOYEE STOCK OWNERSHIP PLAN ASSISTANCE PROGRAM

Applications are now open.

The **Employee Stock Ownership Plan Assistance Program** will provide partially covered ESOP feasibility study services for New Jersey businesses that are interested in transitioning to employee-owned firms. The NJEDA is partnering with experienced firms to provide the consultative services to assist interested businesses in the first steps of the transition process.

Businesses, owners, and employees should consider the following when seeking feasibility study services and ultimately, an ESOP transition:

- Is the current owner seeking a cost effective means of retirement and/or succession planning?
- Does the business currently employ at least 20 full-time employees?
- Is the business structure stable and sustainable in terms of revenue and governance?
- Is the business seeking to provide additional benefits for their employee?

Interested businesses should complete the **ESOP Assistance Program Application**, to be made available

APPLY HERE

BOARD MEMO



PROGRAM SPECIFICATIONS



SIGN UP TO RECEIVE UPDATES
THROUGH OUR MAILING LIST



www.njeda.gov/esop-assistance-program

Question & Answer



Want to Learn More About Employee Ownership?

We welcome your questions/your suggestions of business networks to inform.

Website:

ownership.rutgers.edu

Email:

nj-ownership@smlr.rutgers.edu

Free Rutgers Library of Resources about Employee Ownership:

CLEO.RUTGERS.EDU