



MA Center for
Employee Ownership
(MassCEO)

MassCEO Western MA Symposium on Employee Ownership

March 26, 2025
Pittsfield, MA



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DEVELOPMENT





- **Introduction from 1Berkshire**
- Overview of MassCEO
- Featured ESOP Company: Paragus IT
- Featured ESOP Company: Blue Q
- Featured Co-op Company: Old Creamery Co-op
- Funding Employee Ownership: SBA
- Roundtable Discussion
- Closing Comments

Welcome from 1Berkshire



1BERKSHIRE



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Overview: What is Employee Ownership and What is MassCEO?



What is employee ownership?

Employee ownership is a term for any arrangement in which a company's employees own shares in their company or the right to the value of shares in their company. Employee ownership is a broad concept that can take many forms, ranging from simple grants of shares to highly structured plans.

Congress created tax incentives to promote the creation of employee stock ownership plans (ESOPs), currently the most common form of employee ownership in the United States. Other forms of employee ownership include worker cooperatives, employee ownership trusts, direct employee ownership, stock options, stock grants, and synthetic equity (granting the right to the value of shares but not the shares themselves).



Source: National Center for Employee Ownership

Overview: What is Employee Ownership and What is MassCEO?



What are the benefits of employee ownership?

The most common reason companies become employee-owned is that the current owner wants to exit their ownership position and does not want to leave the business in the hands of private equity, a public company, or another outsider.

Other companies use employee ownership for reasons such as attracting and retaining employees, providing them long-term wealth building, and supporting a high-involvement work culture where employees are given the opportunity to think and act like owners.



Source: National Center for Employee Ownership

MassCEO - Raising Awareness of Employee Ownership Models



MassCEO is EO model agnostic

- The Center strives to support businesses exploring all forms of EO, the most popular of which are ESOPs, Co-ops, and EO Trusts
- The Center will host informative virtual events on these models and other EO topics

Employee Stock Ownership Plan (ESOP)

- Using a combination of financial institution and seller financing, all or a portion of a business is sold to the ESOP, which is a retirement plan.
- Each year, shares of company stock are given to the employees via a deposit into their retirement account.
- The value of stock in an employee's account is determined by a valuation of the business which establishes a new stock price each year.
- When an employee leaves the company they can receive a payout of their ESOP account balance.
- Businesses with more than 30 employees and net profits of \$1.5 million are the best candidates for implementing an ESOP as a buyout strategy.

Worker Cooperative

- Using a combination of financial institution and seller financing, as well as a small buy-in amount by the employees, normally 100% of a business is sold to the cooperative.
- A "one share/one vote" system allows employees to elect the board of directors and make other corporate decisions allowing for a more democratic/collective governance than ESOPs or EOTs.
- Wealth is created for worker owners by the sharing of profits which is determined by the board and sometimes by the worker owners.
- Profitable businesses with more than 5 employees are good candidates for implementing a worker cooperative strategy.

Employee Ownership Trust (EOT)

- Using a combination of financial institution and seller financing, all or a portion of a business is sold to an Employee Ownership Trust (EOT) which is a type of perpetual trust.
- The employees are the intended beneficiaries of the trust and in addition to the corporate mission, the company is run with their well being in mind.
- Wealth is created for employees through the sharing of profits each year.
- Profitable businesses with more than 5 employees are good candidates for implementing an EOT as a buyout strategy.

Overview: What is Employee Ownership and What is MassCEO?



The Massachusetts Center for Employee Ownership (MassCEO) will provide training, education, and direct assistance to grow and sustain a strong network of employee-owned businesses in the Commonwealth.

- First established by the Legislature in 1989 (Ch. 607 – “An Act Providing for Employee Involvement & Ownership Projects”)
- Ran primarily as a consultancy
- Formalized by the Legislature as an Agency under the MA Office of Business Development (MOBD) in November 2022
- Advisory Board empaneled March 1, 2024
- Interim Director Kevin Kuros appointed by MOBD director in April 2024



Overview: Guidance from the Advisory Board



The Advisory Board on Employee Ownership Established Several Objectives for the Center:

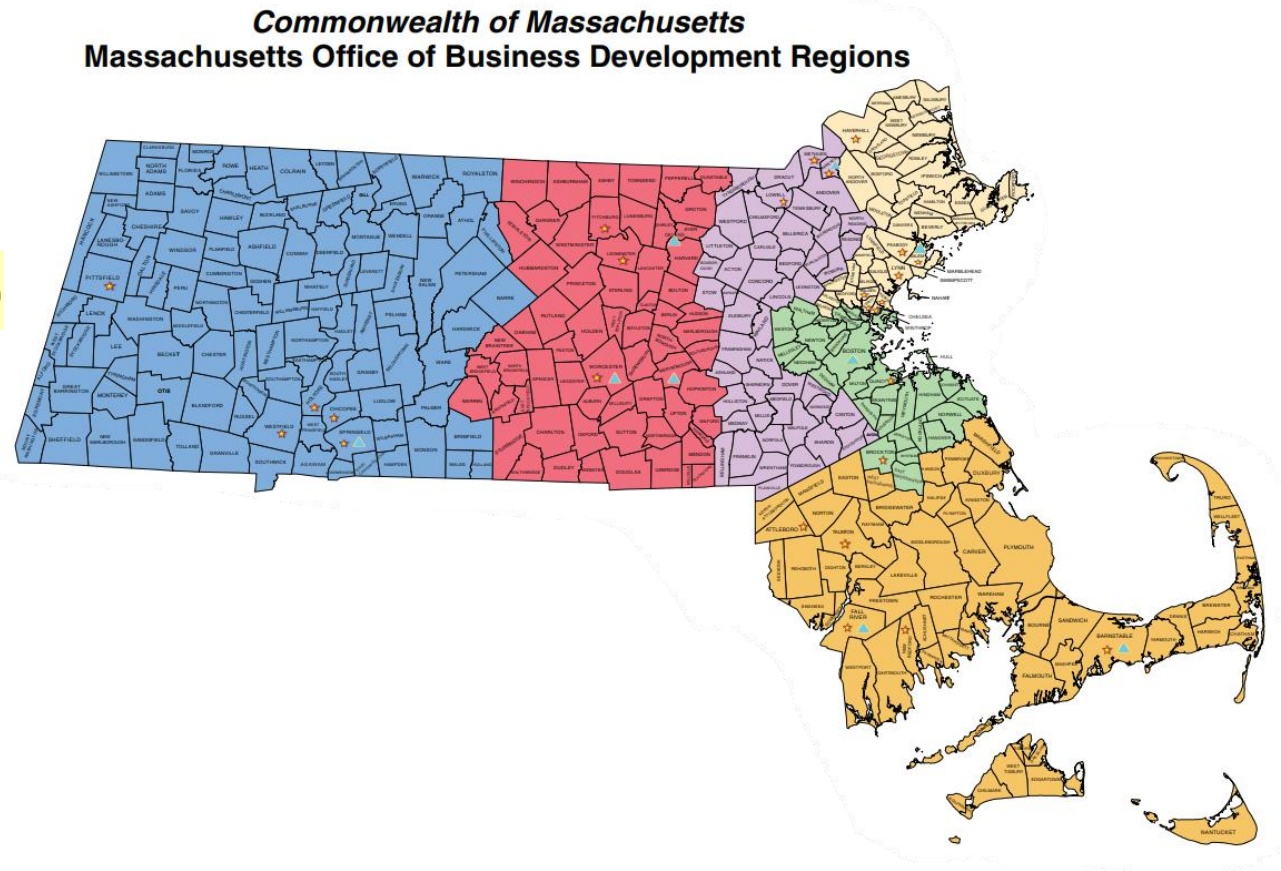
- Develop branding and collateral material to support employee ownership in the Commonwealth
- Develop and host a series of “Road Show” events to raise awareness of employee ownership
- Develop a database of existing employee-owned businesses and businesses that may consider EO
- Establish a grant or incentive program to provide direct assistance to companies exploring EO

Regional Road Show Schedule



Road shows will be hosted by MassCEO in each of the MOBD regions w/partner chambers, REDO's, and local economic development organizations:

- Tentative Schedule
 - Greater Boston (Feb 28)
 - **Western – Pittsfield (Mar 26)**
 - Central – Worcester (Apr 29)
 - Southeast – May 2025
 - Northeast – June 2025
 - MetroWest – July 2025
 - 5 virtual events, Dates TBD





[The ESOP Association \(TEA\)](#)

- Member since Spring 2024

[Employee Ownership Expansion Network \(EOX\)](#)

- Member since November 2024

[National Center for Employee Ownership \(NCEO\)](#)

- Member since January 2025

[US Federation of Worker Cooperatives](#) / [National Cooperative Business Association](#)

- Joining both in March 2025

MassCEO – How to Find Us



www.mass.gov/massceo

Interim Director, Kevin J. Kuros

Kevin.J.Kuros@mass.gov

Phone

[\(617\) 549-1803](tel:(617)549-1803)



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Featured ESOP Company: Paragus IT



DELICIE DAVID BEAN IV

Delcie Bean – [Paragus IT](#)

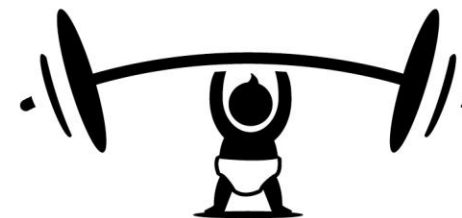
Since founding the company at the age of thirteen, Delcie Bean has transformed Paragus I.T. into one of the most successful, fastest-growing IT firms in the region. The company's unique corporate culture and strategic approach to providing outsourced I.T. services to small-to-medium sized businesses have earned many accolades, including Inc. Magazine's list of 5,000 fastest-growing businesses and Forbes Magazine's 25 Small Giants.

When he isn't at the helm of Paragus, Delcie is living the quiet life with his wife of 15 years and their three boys in southern NH, serving as a trustee of Bay Path University, and fulfilling his commitment to lifelong learning through his service to YPO.

CORE PURPOSE

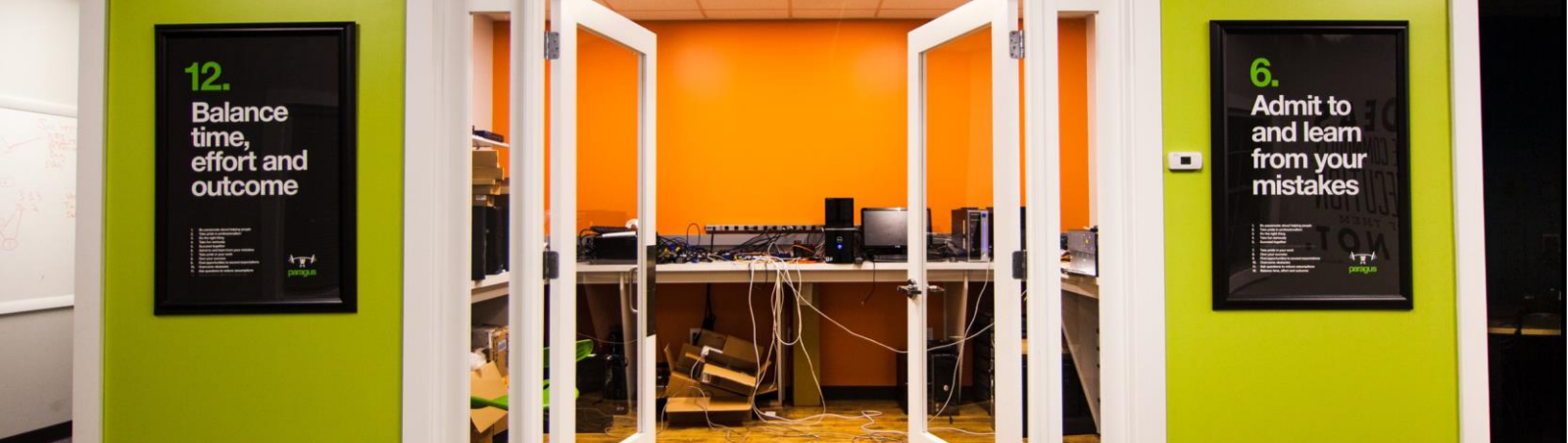
WE MAKE **I.T.**
WORK

AN ESOP CASE STUDY



paragus
STRATEGIC I.T.

A 100% EMPLOYEE OWNED COMPANY



CENTRAL &
WESTERN MASS

TRANSITION TO
100% EMPLOYEE-
OWNED COMPANY



GROWING
COLLABORATION
& INCLUSION
IN WORKING
ENVIRONMENT





DELCIE BEAN | CEO

paragus
STRATEGIC I.T.

EMPLOYEE OWNER
partners

60 EMPLOYEES

900 YEARS OF COLLECTIVE
EXPERIENCE
2 OFFICES

1 MERCANTILE STREET, SUITE 740
WORCESTER, MA 01608

112 RUSSELL STREET
HADLEY, MA 01035

partners
operating
across
5 states

vt
nh
ma
ct
ri

5

AT PARAGUS IT, MORE THAN

60%  **OF**

OUR LEADERSHIP TEAM IS MADE UP

OF WOMEN.



26

PARA-PUPS

OUR MISSION

OUR MISSION IS TO DEVELOP AN
INNOVATIVE, FUN & GROWING COMPANY

WHOSE EMPLOYEES ARE COMMITTED TO DELIVERING AN
EXCEPTIONAL CUSTOMER EXPERIENCE
& ENHANCING THE ROLE OF I.T. THROUGH
STRATEGIC, PROACTIVE, AND COST-EFFECTIVE SOLUTIONS.

WE PARTNER EXCLUSIVELY WITH LIKE-MINDED ORGANIZATIONS
WHO SHARE OUR VISION OF I.T. AS AN INVESTMENT,
NOT AN EXPENSE.

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Featured ESOP Company: Blue Q



Seth Nash – [Blue Q](#)

Co-founder of 37-year-old Blue Q, a gift manufacturer that designs, manufactures and distributes quirky products such as socks, gum, lavatory mists, recycled bags, oven mitts and catnip to retailers worldwide. Mostly involved with operations, technology, corporate culture and future planning but also weighs in on how many cat related items the company designs each year. Seth Started his career pushing a broom and disliking cats, it's quite likely his career will end the same way.

- Blue Q designs, manufactures and distributes gift products to retail shops worldwide
- 37 years in business



Blue Q

- ~60 employees
- Company was started by brothers Seth & Mitch Nash in Boston, moved to Pittsfield five years later in 1993



Blue Q

NOW WHAT?

past



present



future



Options we considered

- Industry Buyout
- Private Equity
- Management Buyout
- Family Succession
- ESOP

Blue Q

Primary Reason for ESOP Decision: Quality of Life



- No one bossing us around
- Unencumbered quick decision making
- Retain corporate culture (most important)

Blue Q

BLUE Q IS A COMPANY STEEPED IN EXPERIMENTATION



- A healthy percentage of failures is necessary to produce our many successes
- The ESOP and our plan to manage the company with a group vs a singular leader is another calculated experiment
- Even though legally an ESOP, operationally we operate somewhat like a Co-Op.

Blue Q

Corporate Culture is at the top of the Blue Q organizational chart.

ESOP is the best vehicle to insure continuation of Blue Q culture.



Side effects of good corporate culture:

- Improved employee empowerment, satisfaction and happiness
- Close to no turnover
- Added creativity
- Higher profit margins

Blue Q

ESOP Pros

- Continuity company ethos, management & culture
- Reward employees who are responsible for Blue Q's success
- Company stays in the Berkshires
- Founders control their future engagement during transition to retirement
- ESOP tax advantages

ESOP Cons

- Lower sale value than outright sale
- Expensive/complex ESOP setup and management
- Riskier for founders vs sale of company



Blue Q



- Currently employees own 24% of Blue Q
- January 1st 2026 the ESOP will own 100% setting up the company to prosper for another 37+ years

Blue Q





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Featured Co-op Company: Old Creamery Co-op



Lloyd Miller – [Old Creamery Co-op](#)

After forty years living away from his childhood home of New England, Lloyd has returned to apply his hard-earned skills to the operations of The Old Creamery Cooperative of Cummington. With twenty years' experience managing small businesses in the challenging commercial landscape of New Orleans, Lloyd's approach to operational management might best be described as holistic.

Today, Lloyd resides with his family on the side of a steep hill in North Adams where his wife, two daughters, and assorted pets are greatly enjoying life above sea level.



OLD CREAMERY CO-OP

445 Berkshire Trail, Cummington MA
Community Owned since 2012



A Little Bit About Us...

1886: Cummington Cooperative Creamery Association

- Our property began its life as the home of a cooperative enterprise serving local dairy farmers.
- At its most active, 145 dairies produced around 20,000 pounds of butter per month.
- With the advent of widespread refrigeration and motor trucking in the 1940's, the Creamery began its long legacy of transforming itself to serve the changing needs of the community.

1988: The Berenson Family Purchases The Creamery, Executes Renovations

- Having served at various times as a restaurant or a general store, the Berenson family updated the property to serve a new business model combining both functions into one.
- The renovations built out our sunny café, and placed our mascot, Camille, on its rooftop.

2000: Purchased by Alice Cozzolino and Amy Pulley

- With an emphasis on natural foods, healthy home cooking, and community service, Alice and Amy originate the template to which we still aspire.
- In November of 2012, after three years of fundraising and cooperative development, the community purchased the building and business. The Old Creamery Co-op is born!



↑ Berenson Family Renovations, ↑
circa 1990, 1991

← Old Creamery Co-op Renovations,
circa 2013



Financing Purchase & Renovations:

MEMBERSHIP DRIVE

- June, 2010 - December, 2012 > 580+ Members @ \$150 each
- Total Member Equity holdings as of January, 2013 = \$85,000+

MEMBER OWNER LOAN CAMPAIGN

- Additional \$300,000+ borrowed at reasonable, simple interest
- Many members have extended or forgiven their loans, depending on their abilities.
- \$280,000+, Principal & Interest, repaid since 2020

WHY GO CO-OP?

- Cummington, Massachusetts is a rural community with a population of around 800 people. Our store serves as a central gathering place and provides our members and customers with healthy and sustainable food options for a range of budgets.
- As a Community-Owned enterprise, this resource is insulated from the pitfalls of individual ownership - ensuring that this vital community asset will be available for decades to come.
- Liberated from the motivations of individual profit, our store is free to pursue the values of our membership. Operations are guided by a set of Ends Goals established by our members and monitored by our Board of Directors.



OLD CREAMERY CO-OP ENDS & ASPIRATIONAL VALUES

As ranked by member-owners at our March, 2020 Ends Meeting

- The Co-op maintains financial solvency
- The Co-op strives to be aware of and responsive to the needs of the community
- Environmental sustainability is a core value at the Co-op
- The Co-op strives to provide a supportive work environment, and ensures employees have the opportunity for input into decisions that directly affect them.
- The Co-op prioritizes local and regional enterprises.
- The Co-op provides a friendly and respectful environment to all who visit.
- The Co-op offers quality and convenience at a fair price.
- The Co-op creates space and opportunity to gather, support, and celebrate community.
- The Co-op aims to provide a livable wage to all employees.
- Diverse ideas and perspectives are welcomed.



WHO WE ARE TODAY:

The Old Creamery Co-op is a Community Gathering Place and Country Store with exceptional Deli, Prepared Foods, and Bakery departments. Open seven days a week, our rural food co-op features a wide range of locally sourced and organic products and produce, along with a wide variety of conventional options for every budget. Together with our members, we encourage a vibrant, healthy community and a sustainable local economy.

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Ili Spahiu – [SBA Massachusetts District](#)

Ili Spahiu, Deputy District Director joined the SBA Massachusetts District Office in June 2015. He is a seasoned and highly skilled financial professional with extensive experience in commercial lending. Ili started his professional career in retail lending, as a residential mortgage originator and transitioned to commercial lending and later financial planning. He brings a wealth of knowledge from the private sector having worked for various banks, credit unions and alternative lenders. Ili is charged with the task of expanding the network of SBA lending institutions and strengthening the SBA strategic partner network. He earned his BA in Public Administration from Clark University and a Master of Science in Finance degree from Graduate School of Management at Clark University



U.S. Small Business
Administration



Powering the American Dream

Massachusetts District Office
10 Causeway St. Suite 265
Boston, MA 02222

Our Mission: Supporting small businesses for over 70 years



Plan
your business



Launch
your business



Manage
your business



Grow
your business

The **U.S. Small Business Administration** makes the American dream of business ownership a reality.

We **empower entrepreneurs** and small business owners with the **resources and support** they need to **start and grow** their businesses and **help with recovery** nationwide after a disaster.

Created in 1953, the SBA is the **only go-to resource and voice** for small businesses backed by the strength of the **federal government**.

How We Help: Four areas supporting success

The SBA is the **go-to resource** for access to capital, valuable resources, business know-how, and the right expertise for **every stage** of your business lifecycle.



Free business counseling



SBA guaranteed business loans



Home & business disaster loans



Federal government contracting

The SBA Resource Partner Network

Access the right tools at the right time—wherever you are.



Approved and funded
by the SBA



1,400+ partner offices
nationwide



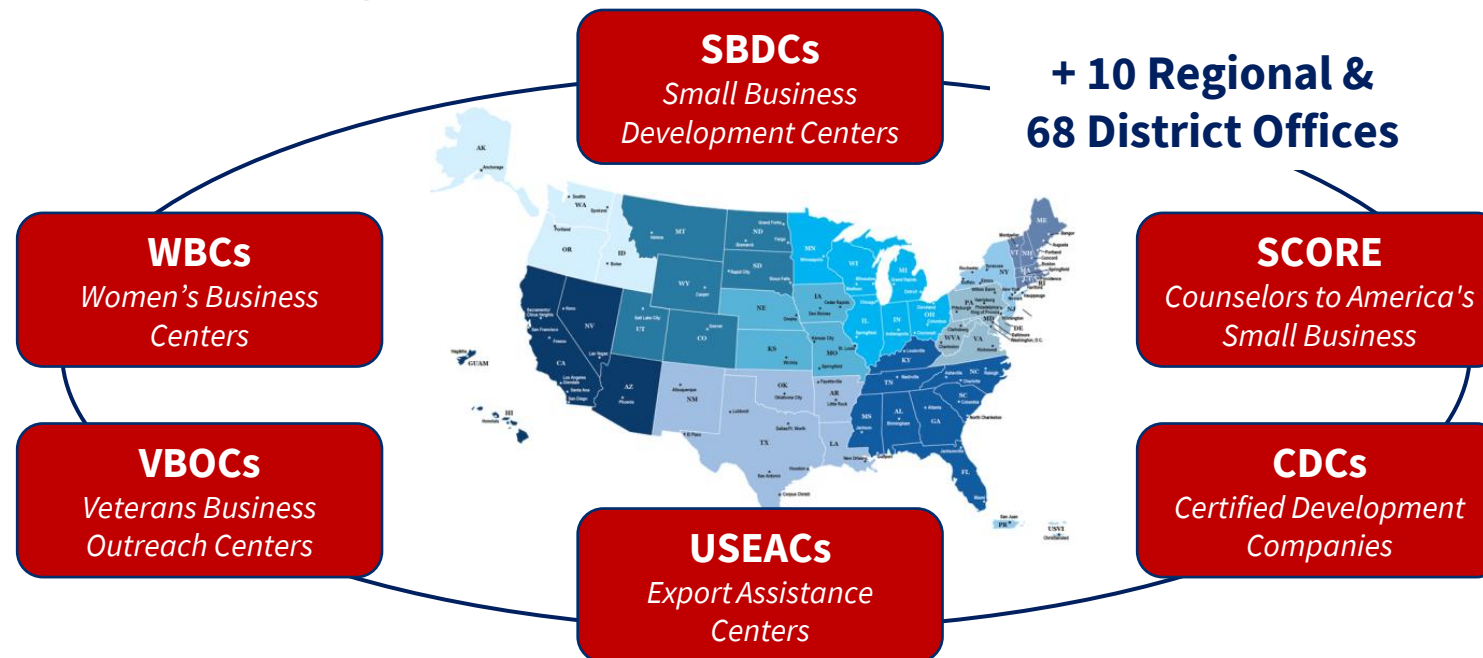
Find local resource partners near
you at
[SBA.gov/local-assistance](https://www.sba.gov/local-assistance)



Small Business Counseling

The SBA powers partners to provide one-on-one mentoring, classes and online advising for every stage of your small business growth and development:

- ✓ **Little to no cost** advice targeted on your needs
- ✓ Multiple locations **around the nation**
- ✓ Guidance for expansion via **international trade**



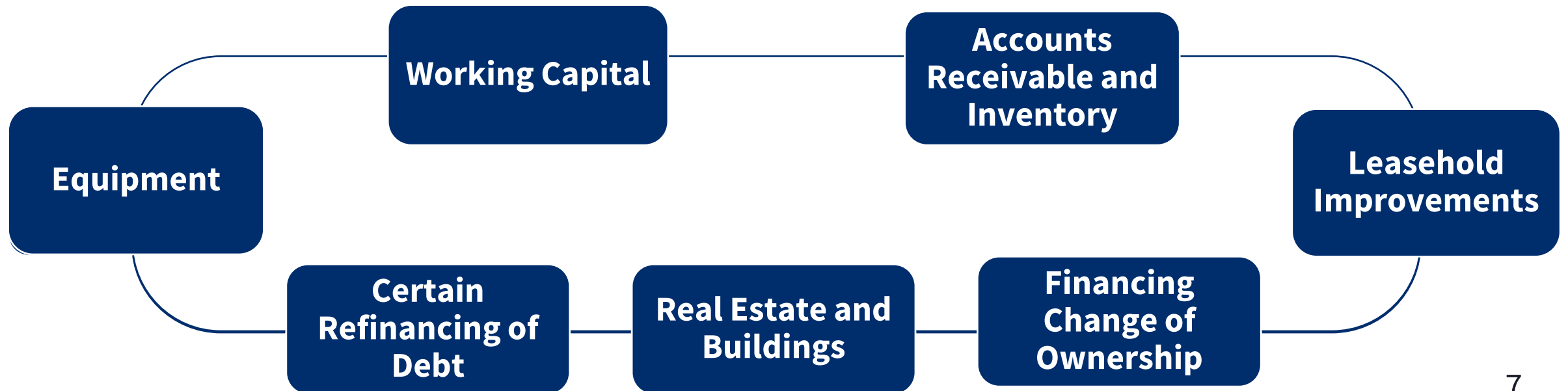
Traditional SBA Loan Products

7(a)

SBA provides a guarantee of select small business loans made by participating lenders

504

Supports job creation and economic development through guaranteed debentures

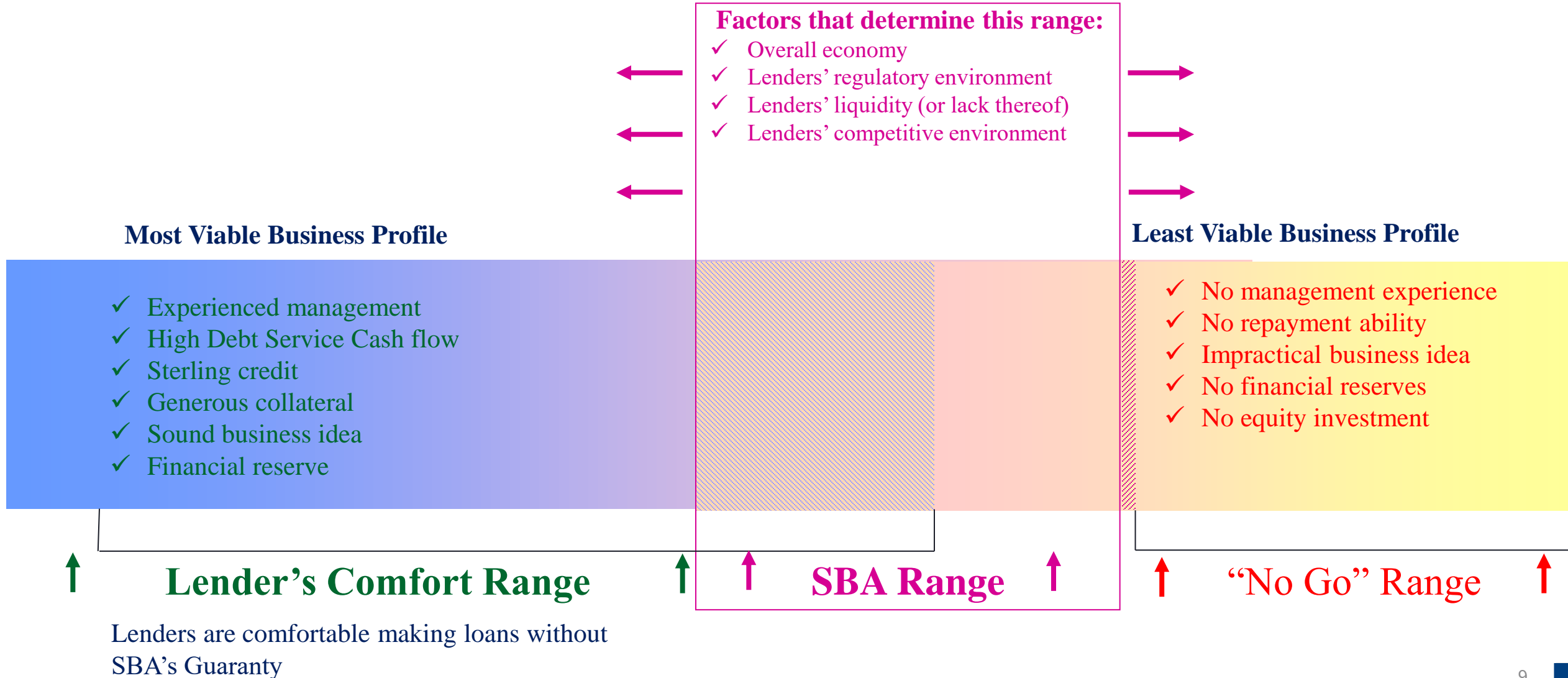


When Do Lenders Use the SBA Guaranty

- **New Ownership/Business Acquisition**
- **Start-up or certain types of businesses**
- **Collateral may be inadequate to meet normal underwriting**
- **Longer maturities are needed**
- **Mitigate risk exposure**
- **Lender's legal or policy limit**
- **Business leverage**
- **Business Expansion**
- **Projections based cash flow**



Role of SBA's Guaranty



SBA Financing Options for ESOPs and Co-ops

- ❑ **The Main Street Employee Ownership Act of 2018, signed into law on August 13, as part of the John McCain National Defense Authorization Act** revised § 7(a)(15) of the Small Business Act (“the Act”) for loans to qualified employee trusts (“ESOPs”) in several ways:
- ❑ It made it easier for employee-owned firms (both ESOP and employee-owned cooperatives) to access SBA financing already available to other small businesses;
- ❑ 7(a) loan can be made to the trust OR to the employer small business to re-lend to the ESOP to acquire at least 51% of the employer small business (the terms of the loan to the ESOP don’t need to match the terms of the SBA-guaranteed loan;
- ❑ Eligible uses of proceeds may include any transaction costs associated with purchasing a controlling interest in the employer (Employee Stock Ownership Plans and cooperatives), but not costs associated with setting up the ESOP or cooperative.
- ❑ For both ESOPs and cooperatives changes of ownership, any seller who remains an owner of the business, regardless of percentage of ownership, must provide their guaranty.

SBA Financing Options for ESOPs

- SBA may assist a qualified employee trust (or equivalent trust) that meets the requirements and conditions for an ESOP prescribed in all applicable IRS, Treasury, and Department of Labor regulations. 13 CFR §§ 120.350 – 120.354
- SBA may guarantee a 7(a) loan to an ESOP for two purposes:
 - i. Purchasing a controlling interest (at least 51 percent) in the employer small business; or
 - ii. Purchasing qualified employer securities. The employer small business may use the funds received from the purchase of the qualified employer securities for any general 7(a) purpose.
 - iii. In the case of either i. or ii. above, the small business concern must be a co-borrower on the 7(a) loan.

SBA Financing Options for ESOPs

- ❑ The IRS prohibits ESOPs from guarantying a loan; therefore, SBA does not require the ESOP to guarantee the loan.
- ❑ Members of the ESOP are not required to personally guarantee the loan, however owners of the Applicant who hold an ownership interest in the small business outside the ESOP are subject to SBA's guaranty requirements.
- ❑ SBA may guarantee a 7(a) loan to an eligible employer small business for the sole purpose of making a loan to a qualified employee trust (ESOP) that results in the qualified employee trust owning at least 51 percent of the employer small business concern.
- ❑ Transaction costs associated with the purchase of the controlling interest by the ESOP or equivalent trust may be included in the use of proceeds, but any transaction costs associated with setting up the ESOP may not be included in the use of proceeds.
- ❑ If the seller of the employer small business remains as a partial owner, the seller must provide a full, unlimited guarantee regardless of percentage of ownership.

Note: This is a statutory requirement and cannot be waived.

SBA Financing Options for ESOPs

- ☐ 7(a) Participating Lenders may process loans to an ESOP or to an eligible small business owned or controlled by an ESOP under delegated authority.
- ☐ ESOP Trust must be in compliance with IRS, Treasury, and the Department of Labor requirements.
- ☐ The application cannot be structured as an EPC/OC. (13 CFR § 120.111(a)(6)) SBA regulations require each 20% or more owner of the EPC and each 20% or more owner of the OC to guarantee the loan, and the regulation does not provide for an exception.
- ☐ Loans to ESOPs for the purpose of purchasing a controlling interest (at least 51 percent) in the employer small business are not subject to the requirement for equity injection.

SBA Financing Options for Coops

The Main Street Employee Ownership Act of 2018, signed into law on August 13, as part of the John McCain National Defense Authorization Act added new § 7(a)(35) to the Act to provide the Administration with the authority to guarantee loans to cooperatives (“Co-ops”) for the purpose described in 7(a)(15) of the Act, including:

- ☐ For 7(a) only: SBA may guarantee a loan to a cooperative to purchase a controlling interest (51% or more) in the employer small business
- ☐ Eligible uses of proceeds may include transaction costs associated with the purchase of the controlling interest, but not costs associated with setting up the cooperative, may be included in the use of proceeds.
- ☐ The Seller may remain an officer, director, or key employee of the small business concern when the Co-op has acquired 100% of the ownership;
- ☐ Any Seller who remains must provide a personal guaranty, regardless of any ownership %; and
- ☐ Provides the Administrator with the discretion to not require mandatory equity injections from a Co-op.

SBA Financing Options for Coops

- ❑ All Applicants operating under a cooperative structure must meet SBA's eligibility requirements.
- ❑ SBA Lenders may not process loans to a cooperative or to an eligible small business owned or controlled by a cooperative under delegated authority.
- ❑ Each loan must be guaranteed by at least one individual or entity.
- ❑ The applicant must submit to SBA Lender supporting organizational documents and agreements as applicable with the loan application depending on the type of cooperative and the purpose of the loan.
- ❑ Documents required: Cooperative Agreement; Organization documents; Articles of Incorporation/Organization; Bylaws; Operating/Conversion/Redemption/Membership Agreement(s); or any other agreements applicable/necessary.



U.S. Small Business
Administration

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Questions?



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Roundtable Discussion





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Thank you for attending!!!

Please help us improve the program by providing feedback:



<https://forms.office.com/r/QV7qFWkBuA>