Commonwealth of Massachusetts

Executive Office of Economic Development and the

Massachusetts Office of Business Development

1 Ashburton Place, Room 2101, Boston, MA 02108

Request for Proposals (RFP)

MassCEO Technical Assistance Stipend

Program Guidelines

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A. **INTRODUCTION & PROGRAM OVERVIEW**

The MassCEO Technical Assistance Stipend Program is a competitive funding initiative administered by the Massachusetts Center for Employee Ownership (MassCEO), an office within the Massachusetts Office of Business Development (MOBD) in the Executive Office of Economic Development (EOED). The program is intended to reduce the cost barrier that often prevents Massachusetts businesses from exploring a transition to employee ownership.

Eligible Massachusetts businesses may apply for partial reimbursement of qualifying pre-conversion technical assistance costs associated with exploring or structuring a transition to an Employee Stock Ownership Plan (ESOP) or a Worker Cooperative (Co-op). Stipend payments will be made only to the technical assistance service providers rather than the business.

The program is designed to:

- Support businesses considering a transition to employee ownership through ESOP or worker cooperative models.
- Subsidize specialized technical assistance needed to evaluate, structure, and advance an employee ownership transaction.
- Expand access to employee ownership by helping businesses engage qualified MassCEO-approved service providers.
- Promote job retention, employee wealth building, and long-term business continuity in Massachusetts.

Businesses may apply through the MassCEO Technical Assistance Stipend Program application on Submittable. Once a timely and complete application is received, MassCEO will review the application for eligibility and may request additional clarifying information before making an award determination.

B. **RFP SCOPE & DETAILS**

<table>
<tr><th>Overview</th><th>Description</th></tr>
<tr><td>Eligible Applicants</td><td>Massachusetts businesses that are not currently majority employee-owned and are applying to explore a potential transition to employee ownership.</td></tr>
<tr><td>Application Timing</td><td>Applications will be accepted on a rolling basis. MassCEO reserves the right to cancel the program at any time.</td></tr>
<tr><td>Stipend Amount</td><td>ESOP conversions: Up to $25,000 (50% of up to $50,000 in qualifying costs)
Worker cooperative conversions: Up to $12,500 (50% of up to $25,000 in qualifying costs)</td></tr>
<tr><td>Match Requirement</td><td>Businesses must provide a 50% match up to the cap for eligible technical assistance costs. Matching funds must come from the business's own resources or private financing.</td></tr>
<tr><td>Form of Assistance</td><td>This program provides a subsidy paid to MassCEO-approved technical assistance service providers on behalf of the business. Any award remains subject to program approval, award conditions, Commonwealth documentation requirements, and submission of required reimbursement materials.</td></tr>
<tr><td>Eligible Expenses</td><td>MassCEO will offset 50% of technical assistance consulting service costs performed by MassCEO-approved technical assistance providers up to program limits.

<u>ESOP Consulting</u>
ESOP Advisor
Project manager for the entire conversion.
Feasibility Study: Initial analysis to develop financial models to determine if the company can afford the debt associated with a leveraged ESOP, and if the tax savings justify the cost.
Transaction Structuring: Advising on the design of the ESOP (i.e., 30% sale vs. 100% sale, seller financing vs. bank loans) to maximize tax benefits for the seller(s).
Debt Placement: Assuming outside capital is needed, identifying lenders familiar with ESOPs.
Valuation Services
Determination of "Fair Market Value" as ESOPs cannot pay more than FMV.</td></tr>
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	• Preliminary Valuation: Financial advising as to price range to manage seller expectations. • Fairness Opinion: Formal attestation at closing certifying that the ESOP is paying a fair price. • Annual Valuation: Financial advising for annual stock price determination. **Trustee Services** *Manager of the ESOP trust that buys the business from the seller(s). They have a legal duty to act only in the best interest of the employees, not the seller(s).* • Institutional Trustee: Professional trust consulting services to negotiate the sale of the business to the Trust. The use of an external institutional trustee reduces the likelihood of lawsuits contesting the sell price exceeded FMV. **Legal Services** *ESOP transactions typically engage three separate legal teams to prevent conflicts of interest.* • Company Counsel: Drafts the ESOP plan documents, handles the corporate restructuring, and represents the business entity. • Trustee Counsel: Assures the Trustee fulfills their fiduciary responsibilities. • Seller(s) Counsel: Represents the selling shareholder(s) to protect their personal proceeds and tax strategy. **Third Party Administrators (TPAs)** *Consulting assistance for the ongoing record keeping once the ESOP is established.* • Administration: Tracking of employee eligibility, share distribution, and vesting. • Repurchase Obligation Studies: Forecasting ESOP trust cash requirements for repurchasing shares from exiting employees. **Organizational & Cultural Development (<u>Pre-conversion only</u>)** *Consulting assistance regarding culture, understand ESOPs as a wealth building tool, business financial literacy, etc.* • ESOP Education: Training to help employees understand the basics of ESOP operations, employee ownership as a recruiting and retention tool, etc.

- Financial Literacy Training: Training on "Open Book Management" to help employees understand business finance, and to think like owners.

<u>Co-op Consulting</u>

Cooperative Development

Project manager or general contractor for the entire transition. Unlike standard management consultants, they specialize specifically in the mechanics of democratic ownership.

- Feasibility Study: Initial analysis to determine if the business can financially support the debt required for the buyout while maintaining profitability.
- Process Coordination: Coordination of the conversion timeline; assistance with locating and managing legal and financial teams.
- Education: Educate the selling owner(s) and future worker-owners on roles in a cooperative.

Legal Services

Legal representation with specific experience with co-op voting rights and profit (patronage) distribution.

- Entity Creation / Conversion: Creating and / or Restructuring the business entity (often to a Cooperative Corporation or an LLC with cooperative-style operating agreements).
- Bylaws & Governance: Drafting the "constitution" of the co-op, defining how the Board of Directors is elected, how decisions are made, how conflict is resolved, and other guiding principles.
- Membership Agreements: Drafting the legal contracts that employees sign to become owners, including buy-in requirements, vesting schedules, and separation process.

Financial & Valuation Services

Financial advising to ensure that the business remains healthy for the worker owners.

- Business Valuation: Independent analysis to determine the fair market value of the company to set a defensible sale price.
- Transaction Structuring: Financial advising to structure the buyout, which may include "seller financing" (where the current owner(s) is paid out over time from future profits) or securing loans from CDFIs (Community Development Financial Institutions) or other lenders that specialize in cooperative lending.

	• Tax Planning: Financial advising on Subchapter T of the IRS code to ensure the cooperative creates the correct internal capital accounts and maximizes tax benefits for both the seller(s) and the new worker-owners. **Organization & Cultural Development (<u>Pre-conversion only</u>)** • Consulting assistance regarding culture, institutionalizing the cooperative principles, business financial literacy, meeting governance, etc. • Financial Literacy Training: Training on "Open Book Management" and helping worker-owners understand business finance so they can make informed voting decisions. • Democratic Management Training: Coaching on realigning the business from top-down management to democratic, participatory management. • Board Training: Coaching new worker-owners on board of directors' operations and strategic planning techniques.
Ineligible Expenses	• Costs incurred before MassCEO approval. • Services provided by firms that are not MassCEO-approved service providers. • Operating expenses or other costs not directly tied to eligible technical assistance activities. • Post-conversion technical assistance.
Contract Payment Terms	Reimbursement occurs directly to the approved provider upon proof of business payment of the matching funds. Additional payment processing details, contracting requirements, and reimbursement documentation standards may be specified in award materials and contract documents.
Performance Period	Until June 30, 2029. Once awarded, a MassCEO stipend may run for a maximum of six months following the successful execution of a contract.
Limitations	• Each business may submit only one application at a time and may engage only one MassCEO-approved service provider. • Use of stipend funds is limited to services performed by MassCEO-approved service providers. • MassCEO reserves the right to ask additional clarifying questions related to an application.

	• Approval of a business application does not guarantee approval of any cost not clearly within the program scope, cap, and award conditions.

C. PROJECT APPLICATION

The project application is organized into five sections and collects the following information from applicants:

Section 1: Business Information

Applicants must confirm that the business is operating in Massachusetts and is not currently majority employee-owned. This section also requests the legal business name, any DBA, primary business address, Federal EIN, legal entity type, primary contact name, email and phone number, year established, business website, industry, number of full-time and part-time employees, number of employees based in Massachusetts, and any applicable business ownership designation.

Section 2: Employee Ownership Conversion

This section asks applicants to identify whether they are considering an ESOP or a worker cooperative, the anticipated percentage of ownership to be transferred to employees, the current status of succession or exit planning, whether internal leadership has been identified, the types of technical assistance expected in the next 6-12 months, when eligible costs are expected to be incurred, the business motivation and goals for pursuing employee ownership, and the anticipated benefits to workers and the broader Massachusetts community.

Section 3: Financial Information

This section requests information on why MassCEO funds are needed to move the project forward now, what would happen without support, estimated business value, approximate annual revenue for the most recent fiscal year, recent revenue trend, estimated budget for technical assistance services, and the anticipated source of the business matching share.

Section 4: Supporting Documents

Applicants may upload optional supporting documents that help MassCEO evaluate readiness, need, and project scope. The application instructs applicants to redact sensitive information and not to upload Social Security numbers or bank account numbers.

Section 5: Certifications & Signature

Applicants must certify good standing with the Massachusetts Department of Revenue, the Secretary of the Commonwealth, and the Department of Unemployment Assistance; certify that the application is true and accurate; acknowledge Massachusetts public records law; confirm that the stipend covers up to 50% of eligible technical assistance costs and may only be used with MassCEO-approved service providers; consent to contact by MassCEO staff; authorize limited information sharing with approved providers for service scoping; indicate how they heard about the program; and complete the e-signature fields for first name, last name, email, and date.

Optional Supporting Documents

Examples of supporting documents may include documentation to demonstrate a thoughtful, committed strategy for conversion to employee ownership:

- Prior feasibility or valuation materials, if any.
- Recent year-end profit and loss statement and balance sheet.
- Succession plan summary.
- Draft proposal or scope for a MassCEO-approved service provider.
- Other documents demonstrating readiness, need, public benefit, or anticipated project scope.

D. PROJECT ELIGIBILITY AND EVALUATION

Once a business has submitted a complete application, MassCEO will carefully review each application's eligibility to confirm that the following conditions have been met:

- The business is currently operating in the Commonwealth of Massachusetts.
- The business is not currently majority employee-owned and is applying to explore a potential transition to employee ownership.
- The proposed use of funds is limited to eligible pre-conversion technical assistance services provided by MassCEO-approved service providers.
- The business demonstrates the ability to provide the required matching funds and a credible need for subsidy support.

MassCEO will evaluate each eligible project application according to the following criteria:

Category	Description
Readiness and Project Strength	The applicant should clearly describe the contemplated employee ownership transition, the business's succession or continuity goals, the assistance needed in the next 6-12 months, and why the proposed work is achievable and timely.
Need for Stipend Support	The applicant should clearly explain why MassCEO funds are needed to move the project forward now, what barrier the program will address, and what would likely happen without this support.

Financial Feasibility and Match Capacity	MassCEO will consider the applicant's estimated business value, recent revenue, revenue trend, anticipated technical assistance budget, and the likely source of matching funds needed to complete the project.
Alignment of Requested Services	The requested technical assistance should be well-aligned with the business's current stage of planning and should correspond to eligible MassCEO Service TASK IDs and qualifying provider services.
Worker and Community Benefit	The applicant should describe how a transition to employee ownership could benefit workers and the broader Massachusetts community, including job retention, improved job quality, employee wealth building, community stability, local supply-chain benefits, and other public benefits beyond the direct benefit to the owner or the business.
Likelihood of Conversion Advancement	MassCEO will consider whether the proposed work is likely to materially advance the business toward an employee ownership conversion or a well-supported go / no-go decision.

Priority Factors

The following factors may be prioritized or otherwise taken into consideration during award review:

- Strength of succession readiness and the likelihood that technical assistance can move the business toward a viable employee ownership conversion or well-supported go / no-go decision.
- Potential for job retention, improved job quality, and long-term preservation of Massachusetts-based employment.
- Potential for worker wealth building and broader employee participation in ownership.
- Potential benefit to community stability, local supply chains, and regional economic continuity.
- Number and share of employees based in Massachusetts, including whether the proposed transition would establish or preserve a meaningful Massachusetts operating footprint.
- Business qualification as a disadvantaged business as defined by the Supplier Diversity Office.
- Whether the requested services are well-aligned with the conversion-related priorities reflected in the MassCEO provider RFQ COMMBUYS Bid No. BD-26-1100-EED01-EED01-125080, including preference for conversion-related work over post-conversion services.
- Any other public benefit, sector, readiness, or project-strength factor that MassCEO determines is relevant to program goals.

E. AWARD RECOMMENDATIONS & CONTRACTING

Award Decisions

All submitted applications will be reviewed for eligibility and evaluated based on the program criteria by a review team. Applicants will be notified in writing about the decision made on their application.

Applicants that are approved for funding will receive a commitment letter outlining the approved subsidy amount, the approved provider scope, and any conditions of the award. Approved applicants may be required to verify project readiness and address any related conditions at the time of award.

Awards are subject to availability of funds and are contingent upon full execution of any required contract or other Commonwealth award documentation. Successful applicants, upon notification of award, may be required to enter into an agreement with MassCEO prior to the disbursement of any subsidy funds. All approved scope items, timelines, documentation requirements, and project outcomes may be detailed and incorporated into the award materials. Businesses are not authorized to rely on subsidy payment for costs incurred outside the approved scope or before all required Commonwealth documentation is complete.

Applicants that are not selected to receive funding during the round may have the opportunity to request feedback on their application.

Reimbursement and Documentation

The business remains responsible for its required matching share of eligible costs.

MassCEO will reimburse the approved provider directly after receiving documentation satisfactory to the Commonwealth, including proof that the business has paid its required matching share and any invoice, scope, or deliverable documentation required by the program.

Only approved expenses, based on the approved scope of work and any resulting award or contract documentation, will be eligible for reimbursement.

Public Records and Contract Administration

The Massachusetts Executive Office of Economic Development and Massachusetts Office of Business Development comply with all Commonwealth of Massachusetts procurement laws and regulations set forth and overseen by the Commonwealth's Operational Services Division when awarding contracts, as well as the state's award requirements as mandated and overseen by the Office of the State Comptroller when dispersing funds. All responses and information submitted in response to this RFP are subject to the Massachusetts Public Records Law, M.G.L. c. 66, § 1 and c. 4, § 7(26).

During the term of any award or contract agreement and for a period up to seven years thereafter, if the Executive Office of Economic Development and Massachusetts Office of Business Development is audited, the business and, where applicable, the approved service provider will be required to make all records relating to this stipend available.

Applicants should not submit Social Security numbers, bank account numbers, or other unnecessary sensitive personal information in application materials unless specifically requested through Commonwealth contracting processes.

The Executive Office of Economic Development, Massachusetts Office of Business Development, and MassCEO reserve the right to interpret program requirements, request clarifying information, impose reasonable award conditions, and make changes to program administration consistent with applicable law, funding availability, and Commonwealth requirements.

Reporting and Close-Out of Certified Project

At the end of each fiscal year (June 30), each awardee is required to report information on the project, including if a conversion was completed, and other relevant information necessary to determine project progress. MassCEO will review annual reports to determine whether the business has substantially achieved its obligations set forth in the Contract.