



## VR Facilitates Sale of Company to Employees Using ESOP (A Qualified Retirement Plan, Similar to a 401(k))

*By Camm Morton, Owner of VR Business Brokers in Baton Rouge, LA*

The nine siblings that own the Hi Nabor supermarket chain founded in 1963 by their father, the late Sam Crifasi, have sold the business to their employees through an employee stock ownership plan. Terms of the deal were not disclosed but some 190 full-time employees will be eligible to participate in the ESOP, which will own 100% of the company.

Hi Nabor has three locations in Baton Rouge and estimated revenues in excess of \$40 million. Employees were notified of the deal at a company gathering Sunday afternoon.

An ESOP is a qualified retirement plan, similar to a 401(k), that can be used as a business succession tool and as an employee ownership vehicle to provide employees with an ownership stake in the company. The ESOP buys, holds and sells company stock through a trust, providing employees with a retirement plan benefit and an additional form of compensation.

Hi Nabor CEO Jim Crifasi says the company's leadership team has been engaged in succession planning for the past several years and initially thought the idea of an ESOP was "crazy." But the more they learned about the plans, the more sense it made for the company's future.

"It keeps our management team together and gives all my brothers and sisters an exit strategy without putting a strain on Hi Nabor," Crifasi says. "The ones who want to continue working here in their same position will be able to. It's also a great deal for our employees and will continue the legacy my father set up in 1963."

ESOPs also have inherent tax advantages, according to Jason Wellman, director of ownership culture at ESOP Partners, the Wisconsin firm that will serve as third-party administrator for the Hi Nabor plan.

"When you sell a company to an ESOP trust the company doesn't pay any corporate income tax on the portion of the company owned by the ESOP," Wellman says. "Their ESOP is 100 percent employee owned, so that's 100 percent of their corporate income tax that they essentially do not have to pay."

There are some 6,200 ESOPs across the country, though only about 2,500 are 100% employee owned. Several of the largest are supermarket chains, including Lakeland, Florida-based Publix Supermarkets, which is the largest ESOP in the U.S.

Research has shown ESOPs are an effective way to incentivize employee performance and improve outcomes, says Camm Morton, an exit-planning strategist who has been working with the Crifasis and ESOP Partners since 2018 on putting the plan together.

"There are numerous studies that showcase that employee-owned companies are more profitable, more productive, they grow faster, and their sales are higher," he says. "They also help attract and retain talent because of the benefit of the corporate structure." Hi Nabor CFO Jan Crifasi says the company is also hoping to gain a competitive advantage from the new ownership structure, which is important in an increasingly competitive market.

"We want the best and the brightest to come work for us," she says. "We hope this will be a game changer for us." The transition is effective retroactive to Jan. 1, 2020. Under the structure of the deal, Hi Nabor employees will be eligible to participate in the plan after 1,000 hours of work, or roughly six months.



Camm Morton, Owner  
of VR Business Brokers in  
Baton Rouge, LA  
Phone: (225) 663-5999