

**March 24, 2015**

## **Craft Brewery Succession Planning - Employee Stock Ownership Plan**

*By Conor Cronin*

The burgeoning craft brewing industry in Ontario is set to take off. While success is in no way guaranteed, the growth potential in the market makes it a good idea to think about what you want to see happen down the road. This includes succession planning.

You know better than anyone that running a brewery is hard work. At some stage you may decide to take a step back. What will happen to the beer, community, and culture you have cultivated depends on decisions you make today.

There are several options available to business owners. Larger companies have noticed the growth in craft beer sales. There have been several recent acquisitions of US based craft breweries. Generally, the most attractive targets for acquisition have been breweries producing approximately 40,000 barrels of beer and have opened brew pubs. A transaction whereby you and your shareholders sell your interest in the brewery can be attractive and profitable. The new owners may let you step back from the day to day of running the business and administration to let you focus on brewing great tasting beer. Or you may be able to start something newer and smaller (provided that a transaction does not include a non-compete provision).

One alternative to selling your business is to transfer ownership and control to your employees. An Employee Share Option Plan (ESOP) gives employees the opportunity to have an ownership stake in the company that employs them. Not only is it a means to give back to your employees, it is a way to attract the best people to help your company grow and succeed. When employees have a stake in the company they work, the goals of management and employees are aligned. Employees share in the success of the company.

Setting up a plan can be complicated. CRA rules must be followed. There are also a number of considerations that must be contemplated:

- Will shares be issued from treasury or transferred from existing shareholders?
- Will employees have full rights as shareholders in deciding the future of the brewery or will they hold non-voting shares?
- How will current shareholders' share be diluted?
- When will the options vest and under what circumstances will an employee forfeit her options?
- What are the tax consequences to you and your employees?

Done correctly, an ESOP will help you maintain the independence of your business and make your brewery more successful. Perley-Robertson, Hill & McDougall LLP/s.r.l can help you determine whether employee stock ownership plan is right for your business or what succession planning options are best for you.

*Conor Cronin is a lawyer in our Business Law Group. Conor can be reached at 613.566.2155 or [ccronin@perlaw.ca](mailto:ccronin@perlaw.ca). To view his bio, please [click here](#).*



PERLEY-ROBERTSON,  
HILL & MCDUGALL LLP/s.r.l.