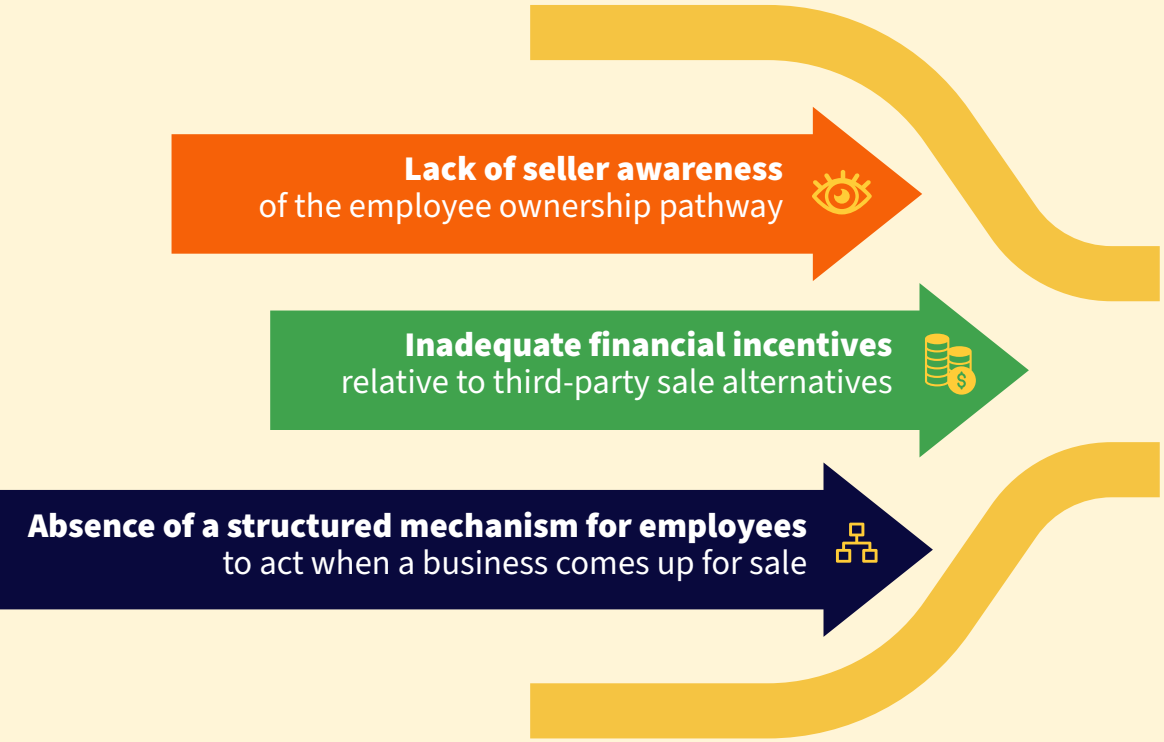
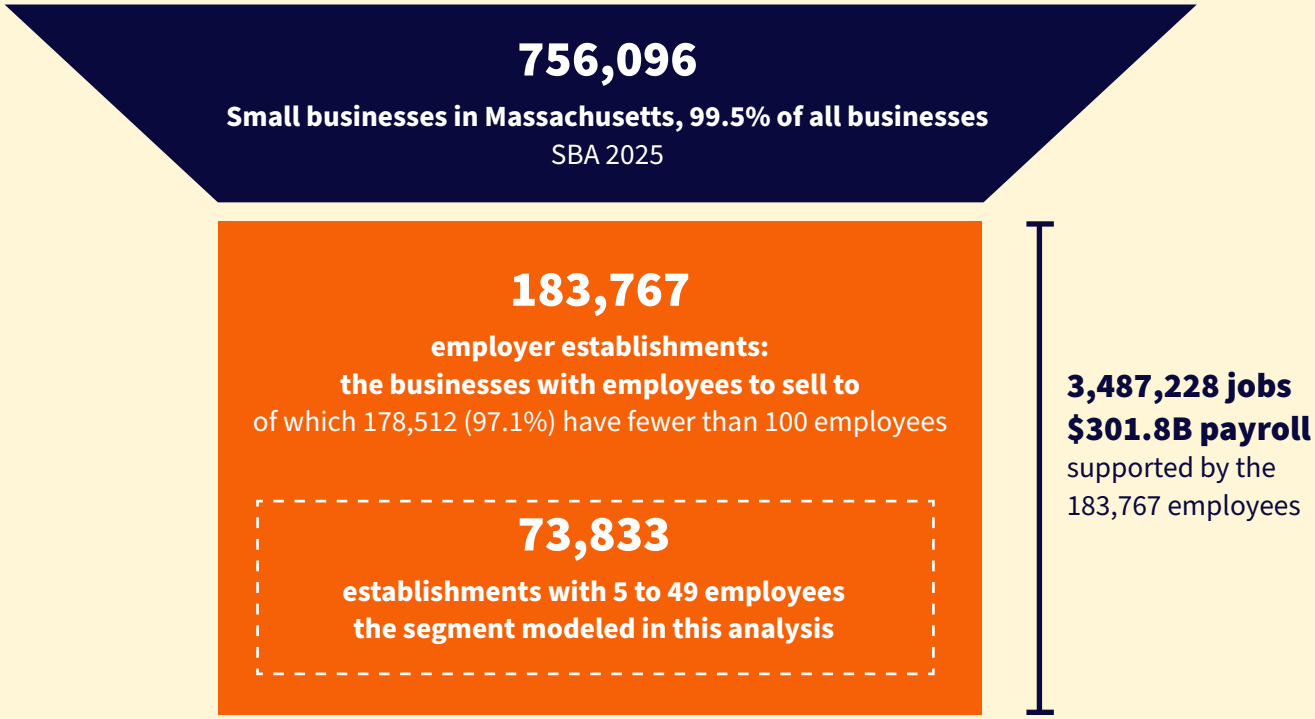


Massachusetts already has one of the most developed worker cooperative ecosystems in the country, but conversion activity remains bottle-necked by three overlapping barriers.

COMPARATIVE FISCAL IMPACT: CAPITAL GAINS EXEMPTION AND LOAN GUARANTEE, CONSERVATIVE SCENARIO (2026-2035)

POLICY OPTION	10-YR COST	10-YR BENEFIT	BENEFIT-TO-COST RATIO
A: CAPITAL GAINS EXEMPTION	$4.38M	$16.04M	3.7:1
E: LOAN GUARANTEE	$0.73M	$11.3M	15.5:1

WHO OTO REACHES, AND WHAT THIS REPORT MODELS



Only businesses with employees can sell to their employees.
That is the 183,767 establishments OTO reaches. This report models the 5 to 49 segment within it.

MASSACHUSETTS ANNUAL JOB DYNAMICS (2023)

Metric	Count	Notes
Gross jobs created	425,615	Opening and expanding establishments
Gross jobs lost	338,415	Contracting and closing establishments
Net job creation	87,200	Creation minus loss
Jobs lost to establishment closures	95,983	28.4% of gross job losses
Jobs lost to contraction at continuing establishments	242,432	71.6% of gross job losses

Source: *U.S. Census Bureau, Business Dynamics Statistics, 2023 vintage. Accessed via Census Business Builder, February 2026.*

MASSACHUSETTS EMPLOYER ESTABLISHMENT BY SIZE CATEGORY (2023)

Metric	Establishments	Percentage	Cumulative %
1-4 employees	98,681	53.7%	53.7%
5-9 employees*	33,296	18.1%	71.8%
10-19 employees*	23,319	12.7%	84.5%
20-49 employees*	17,218	9.4%	93.9%
25-49 employees*	5,998	3.3%	97.1%
100-249 employees	3,624	2.0%	99.1%
250-499 employees	1,011	0.6%	99.7%
500+ employees	620	0.3%	100.0%

*Denotes OTO target market (5–49 employees; businesses with 50–99 employees may qualify but are treated as edge cases in this analysis)

Source: *U.S. Census Bureau, Business Dynamics Statistics, 2023 vintage. Accessed via Census Business Builder, February 2026.*

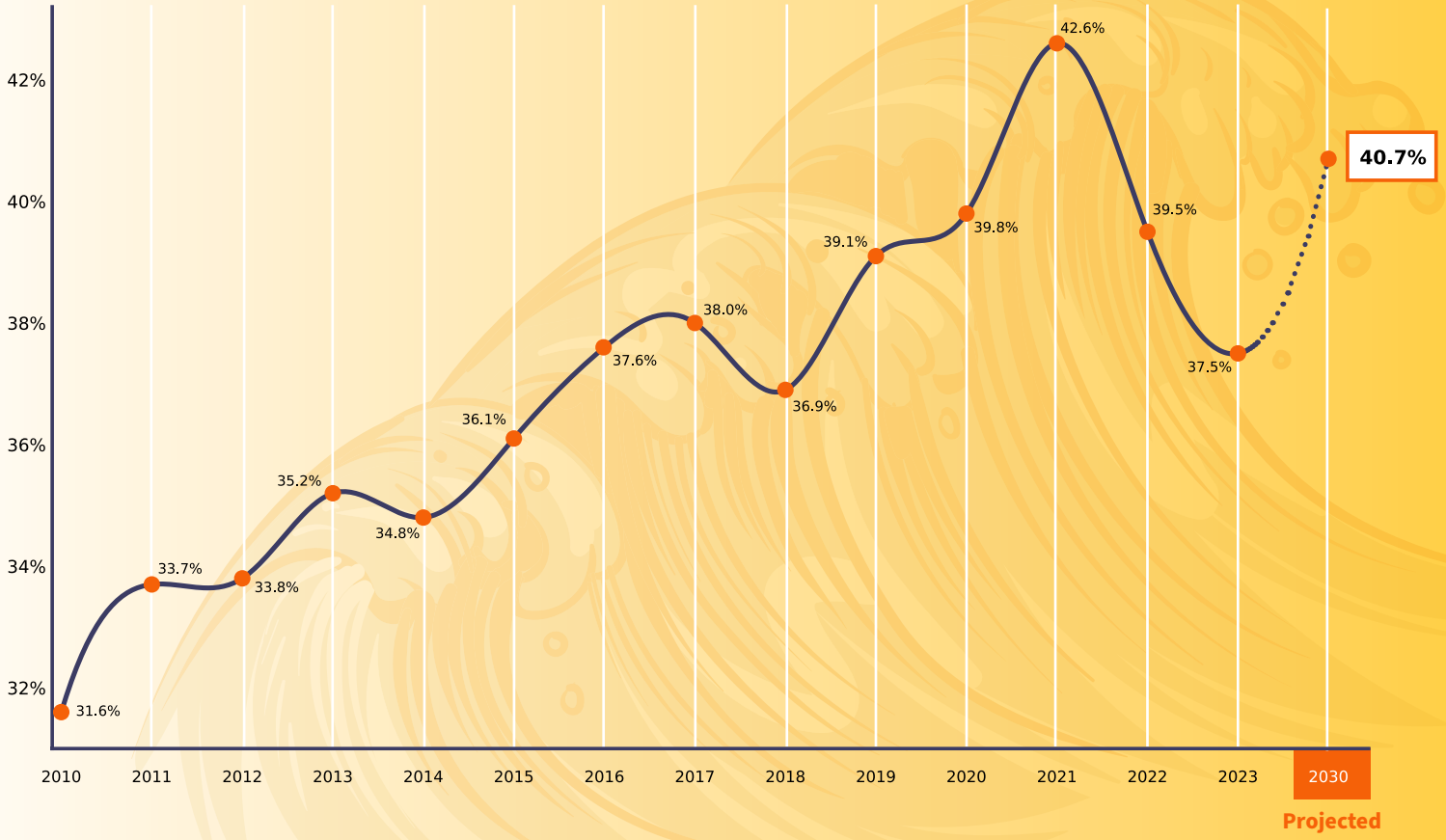
MASSACHUSETTS EMPLOYER FIRMS BY AGE (2023)

Firm Age	Number of Firms	Percentage
0 (startups)	9,985	7.6%
1-5 years	30,753	23.5%
6-10 years	19,989	15.2%
11+ years	59,015	45%
Pre-1977 (48+ years)	11,403	8.7%

Note: *"Age 11+ years" and "Established before 1977" are separate Census categories that together represent all firms 11 or more years old (70,418 firms, 53.7% of total).*

Source: *U.S. Census Bureau, Business Dynamics Statistics, 2023 vintage. Accessed via Census Business Builder, February 2026.*

THE SUCCESSION CRISIS IS ALREADY UNDERWAY



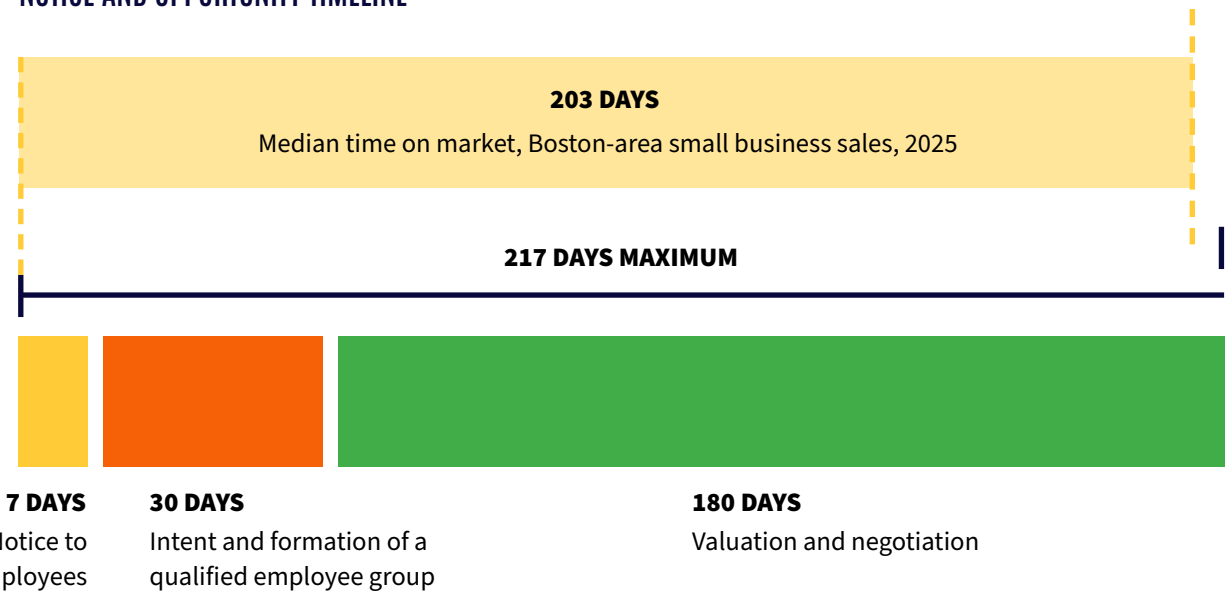
MASSACHUSETTS FIRM EXITS BY BUSINESS AGE, 2010 - 2030)

Year	Total Firm Exits	Mature Firm Exits (11+ Years)	Mature Firm Share
2010	8,088	2,559	31.6%
2011	7,384	2,489	33.7%
2012	6,916	2,337	33.8%
2013	7,158	2,518	35.2%
2014	7,168	2,492	34.8%
2015	7,287	2,629	36.1%
2016	7,192	2,707	37.6%
2017	7,486	2,845	38.0%
2018	7,646	2,821	36.9%
2019	7,793	3,048	39.1%
2020	8,317	3,314	39.8%
2021	8,993	3,833	42.6%
2022	8,329	3,291	39.5%
2023	9,861	3,694	37.5%
Average, 2010-2023	**7,830**	**2,898**	**36.9%**
2030 (projected)	**~12,113**	**~4,930**	**~40.7%**

Note: *Mature firms are defined as businesses operating 11 or more years. The 36.9% average is the mean of annual shares across the 2010–2023 period.*

Source: *U.S. Census Bureau, Business Dynamics Statistics, State by Firm Age dataset (bds2023_st_fa). Author's calculations. The 2030 projection is based on the linear trend in mature firm closure share and total exits over the 2010–2023 period, and does not account for accelerating Baby Boomer retirements, which may cause the actual share to exceed the modeled estimate.*

NOTICE AND OPPORTUNITY TIMELINE



CONVERSION VOLUME PROJECTIONS, THREE SCENARIOS

Year	Conservative (7%)	Moderate (14%)	Optimistic (18%)
1	10	10	10
2	11	11	12
3	11	13	14
4	12	15	16
5	13	17	19
6	14	19	23
7	15	22	27
8	16	25	32
9	17	29	38
10	18	33	44
10- year Total	137	194	235

Source: *Author's projections based on structured interviews with Massachusetts cooperative development practitioners, 2025–2026, and DAWI Workers to Owners initiative national conversion data. Growth rates reflect scenario-specific assumptions as described in Section II: Methodology.*

SEGMENTED TRANSACTION MODEL

Segment	Share of Conversions	Median Deal Size	Workers per Conversion	Fiscal Cost per Conversion
Small deals	60%	$400,000	9	$20,000
60%	40%	$1,500,000	18	$50,000
$400,000			13	$32,000

Source: *Author's estimates based on structured interviews with Massachusetts cooperative development practitioners, 2025–2026; DAWI Workers to Owners initiative national conversion data (Democracy at Work Institute [DAWI], 2026; available at institute.coop/publications); BizBuySell Massachusetts business-for-sale listings dataset, February 2026.*

TABLE 7: WORKFORCE AND WAGE PARAMETERS BY SCENARIO

Parameter	Share of Conversions	Median Deal Size	Workers per Conversion
Workers per conversion (blended)	13	13	13
Average Annual Wage	$50,000	$65,000	$86,550
Closure Prevention Rate	33%	40%	50%
Retention period	4.6 years	4.6 years	4.6 years

Source: *Author's estimates based on practitioner interviews, DAWI Workers to Owners initiative data (DAWI, 2026), and BizBuySell Massachusetts market data (BizBuySell, 2026a). Average annual wage under the optimistic scenario reflects the Massachusetts all-industry average (U.S. Bureau of Labor Statistics, 2025); Retention period reflects a 4.6-year job retention assumption, applied as the duration over which a preserved job continues to generate income, sales, and corporate excise tax revenue. This sits above the BLS all-worker median tenure of 3.9 years and below the median for workers ages 55 and over, reflecting the older, longer-tenured workforces characteristic of mature small businesses undergoing succession (U.S. Bureau of Labor Statistics, Employee Tenure Summary, 2024).*

YEAR-BY-YEAR FISCAL COST PROJECTIONS- THREE SCENARIOS

Year	Conservative	Moderate	Optimistic
1	$320,000	$320,000	$320,000
2	$352,000	$352,000	$384,000
3	$352,000	$416,000	$448,000
4	$384,000	$480,000	$512,000
5	$416,000	$544,000	$608,000
6	$448,000	$608,000	$736,000
7	$480,000	$704,000	$864,000
8	$512,000	$800,000	$1,024,000
9	$544,000	$928,000	$1,216,000
10	$576,000	$1,056,000	$1,408,000
10-Year Total	$4.38M	$6.21M	$7.52M

Source: *Author's estimates based on practitioner interviews, DAWI Workers to Owners initiative data (DAWI, 2026), and BizBuySell Massachusetts market data (BizBuySell, 2026a). Average annual wage under the optimistic scenario reflects the Massachusetts all-industry average (U.S. Bureau of Labor Statistics, 2025); Retention period reflects a 4.6-year job retention assumption, applied as the duration over which a preserved job continues to generate income, sales, and corporate excise tax revenue. This sits above the BLS all-worker median tenure of 3.9 years and below the median for workers ages 55 and over, reflecting the older, longer-tenured workforces characteristic of mature small businesses undergoing succession (U.S. Bureau of Labor Statistics, Employee Tenure Summary, 2024).*

TABLE 9: ANNUAL UI SAVINGS- THREE SCENARIOS

Year	Conservative	Moderate	Optimistic
1	$412,484	$650,000	$1,081,600
2	$453,731	$715,000	$1,297,920
3	$453,731	$845,000	$1,514,240
4	$494,979	$975,000	$1,730,560
5	$536,227	$1,105,000	$2,055,040
6	$577,477	$1,235,000	$2,487,680
7	$618,725	$1,430,000	$2,920,320
8	$659,973	$1,625,000	$3,461,120
9	$701,223	$1,885,000	$4,110,080
10	$742,471	$2,145,000	$4,759,040
10-Year Total	$5.65M	$12.61M	$25.42M

Source: *Author's calculations. Massachusetts UI benefit parameters from Massachusetts Department of Unemployment Assistance, 2025.*

ANNUAL PERSONAL INCOME TAX RETENTION—THREE SCENARIOS

Year	Conservative	Moderate	Optimistic
1	$493,350	$777,400	$1,294,085
2	$542,685	$855,140	$1,552,902
3	$542,685	$1,010,620	$1,811,719
4	$592,020	$1,166,100	$2,070,536
5	$641,355	$1,321,580	$2,458,762
6	$690,690	$1,477,060	$2,976,396
7	$740,025	$1,710,280	$3,494,030
8	$789,360	$1,943,500	$4,141,072
9	$838,695	$2,254,460	$4,917,523
10	$888,030	$2,565,420	$5,693,974
10-Year Total	**$6.76M**	**$15.08M**	**$30.41M**

Source: *Author's calculations. Massachusetts UI benefit parameters from Massachusetts Department of Unemployment Assistance, 2025.*

ANNUAL CORPORATE INCOME TAX RETENTION—THREE SCENARIOS

Year	Conservative	Moderate	Optimistic
1	$48,576	$58,880	$73,600
2	$52,992	$64,768	$88,320
3	$52,992	$76,544	$103,040
4	$58,880	$88,320	$117,760
5	$63,258	$100,096	$139,840
6	$67,731	$111,872	$169,280
7	$73,600	$129,536	$198,720
8	$78,016	$147,200	$235,520
9	$82,432	$170,752	$279,680
10	$86,848	$194,304	$323,840
10-Year Total	**$0.67M**	**$1.14M**	**$1.73M**

Source: *Author's calculations. Massachusetts corporate excise tax rate from MGL Chapter 63, Section 39; Massachusetts Taxpayers Foundation, 2025.*

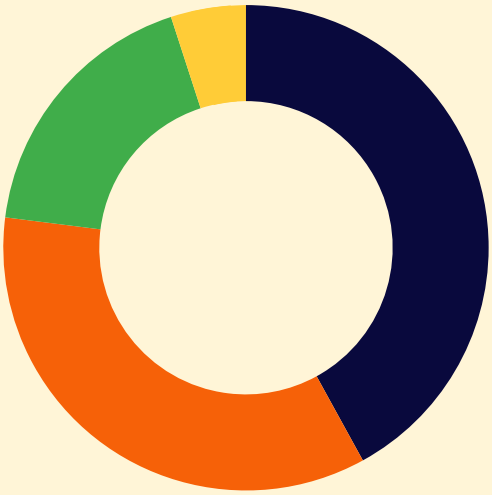
ANNUAL SALES TAX RETENTION—THREE SCENARIOS

Year	Conservative	Moderate	Optimistic
1	$215,830	$340,132	$566,020
2	$237,413	$374,146	$679,224
3	$237,413	$442,172	$792,428
4	$258,996	$510,198	$905,632
5	$280,579	$578,224	$1,075,438
6	$302,161	$646,251	$1,301,846
7	$323,745	$748,290	$1,528,254
8	$345,328	$850,330	$1,811,264
9	$366,911	$986,383	$2,150,876
10	$388,494	$1,122,436	$2,490,488
10-Year Total	**$2.96M**	**$6.60M**	**$13.30M**

Source: *Author's calculations. Massachusetts sales tax rate from MGL ch. 64H, § 2. Taxable spending share is a derived modeling assumption; see Appendix B.*

WHERE RETURNS COME FROM

COMPOSITION OF TEN-YEAR FISCAL BENEFITS, CONSERVATIVE SCENARIO



- **42%** Personal Income Tax Retention
- **35%** Unemployment Insurance Not Paid
- **18%** Sales Tax Retained
- **4%** Corporate Excise Retained

The fiscal case rests on people staying employed, not on modelled second-order effects.

TABLE 13: SUMMARY COST-BENEFIT ANALYSIS – OPTION A, THREE SCENARIOS (10-YEAR HORIZON)

Year	Conservative	Moderate	Optimistic
Total Conversions	137	194	235
Annual Growth Rate	7%	14%	18%
Workers per Conversion	13	13	13
Average Annual Wage	$50,000	$65,000	$86,550
Closure Prevention Rate	33%	40%	50%
UI Savings	$5.65M	$12.61M	$25.42M
PIT Retention	$6.76M	$15.08M	$30.41M
Corporate Excise Retention	$0.67M	$1.14M	$1.73M
Sales Tax Retention	$2.96M	$6.60M	$13.30M
Total Benefits	**$16.04M**	**$35.43M**	**$70.86M**
Total Fiscal Cost	**$4.38M**	**$6.21M**	**$7.52M**
Net Fiscal Impact	**+$11.66M**	**+$29.22M**	**+$63.34M**
Benefit-to-Cost Ratio	**3.7:1**	**5.7:1**	**9.4:1**
ROI	**266%**	**471%**	**842%**
Jobs Preserved	587	1,009	1,527
Cost per Job Preserved	$7,462	$6,155	$4,924

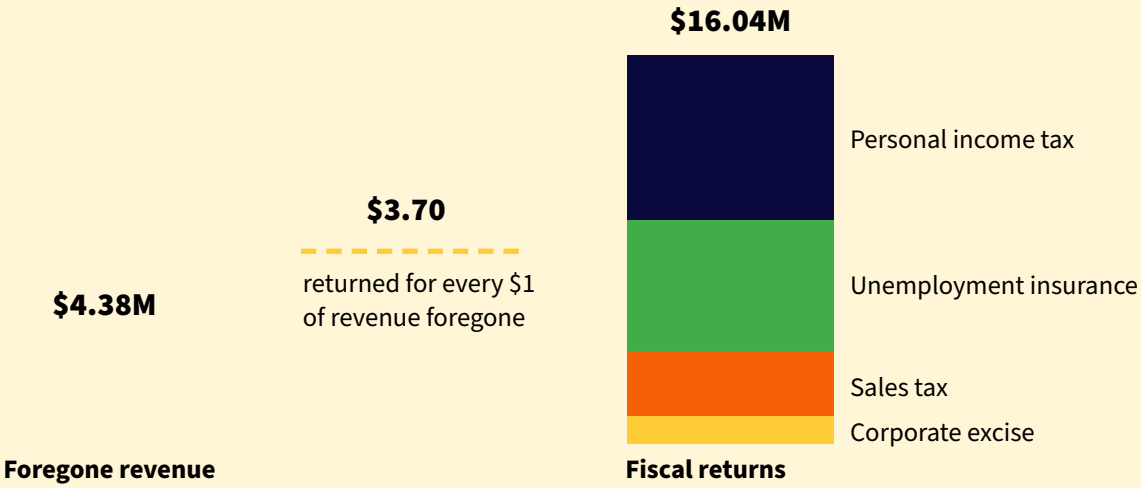
Source: *Author's calculations. See Tables 5 through 11 for detailed year-by-year projections and underlying parameter documentation.*

Notes:

- Conversion volumes reflect year-by-year CAGR projections as documented in Table 5. 10-year total conversions: 137 (conservative), 194 (moderate), 235 (optimistic).
- All benefit figures represent 10-year cumulative totals, aggregated across annual cohorts of preserved businesses and retained workers over the modeling horizon (2027–2036).
- Fiscal cost reflects foregone state capital gains tax revenue only, calculated using the segmented transaction model documented in Table 6. No direct state expenditure is required under Option A.
- Jobs preserved reflect only jobs saved through closure prevention, calculated as annual conversions × closure prevention rate × 13 workers per conversion, computed by annual cohort and summed across the ten-year horizon. Figures are rounded at the cohort level, so totals may differ by one or two jobs from a calculation performed on ten-year aggregates. Jobs preserved exclude jobs at businesses that would have found alternative buyers without OTO.ROI is calculated as: (Total Benefits − Fiscal Cost) / Fiscal Cost × 100.
- Cost per Job Preserved is calculated as: 10-Year Fiscal Cost / Total Jobs Preserved.
- The closure prevention rate is an analytical assumption representing the assumed share of conversions that prevent closures that would otherwise occur. See Appendix B.

WHAT THE COMMONWEALTH GETS BACK

OPTION A, CONSERVATIVE SCENARIO, TEN-YEAR HORIZON



587 jobs preserved, at $7,462 each

Excludes multiplier effects and worker wealth gains, both of which would raise the figure.

TYPICAL WORKER COOPERATIVE CONVERSION COSTS

Cost Category	Typical Range	Notes
Business Valuation	$5,000–$15,000	Independent appraisal
Legal Fees	$15,000–$40,000	Entity formation, agreements, compliance
Technical Assistance	$10,000–$30,000	Feasibility study, governance design
Accounting/Tax Advisory	$5,000–$15,000	Financial structuring, tax planning
Worker Training/Education	$3,000–$10,000	Governance, financial literacy
Miscellaneous	$2,000–$10,000	Filing fees, insurance, etc.
Total Typical Range	$40,000–$120,000	Varies by business size/complexity

Source: *Author's estimates based on structured interviews with Massachusetts cooperative development practitioners, 2025–2026. See Appendix A, Practitioner-Informed Assumptions.*

YEAR-BY-YEAR FISCAL COST—OPTION B, THREE SCENARIOS

Year	Conservative	Moderate	Optimistic
1	$350,000	$350,000	$350,000
2	$385,000	$385,000	$420,000
3	$385,000	$455,000	$490,000
4	$420,000	$525,000	$560,000
5	$455,000	$595,000	$665,000
6	$490,000	$665,000	$805,000
7	$525,000	$770,000	$945,000
8	$560,000	$875,000	$1,120,000
9	$595,000	$1,015,000	$1,330,000
10	$630,000	$1,155,000	$1,540,000
10-Year Total	**$4.80M**	**$6.79M**	**$8.23M**

Source: *Author's calculations based on conversion volume projections from Table 5 and per-conversion credit cost of $35,000 (50% of $70,000 median conversion cost)*

YEAR-BY-YEAR FISCAL COST—OPTION C, THREE SCENARIOS

Year	Conservative	Moderate	Optimistic
1	$804,000	$804,000	$804,000
2	$871,000	$871,000	$938,000
3	$871,000	$1,005,000	$1,072,000
4	$938,000	$1,139,000	$1,206,000
5	$1,005,000	$1,340,000	$1,474,000
6	$1,072,000	$1,474,000	$1,742,000
7	$1,139,000	$1,675,000	$2,077,000
8	$1,206,000	$1,943,000	$2,479,000
9	$1,340,000	$2,211,000	$2,948,000
10	$1,407,000	$2,546,000	$3,417,000
10-Year Total	**$10.65M**	**$15.01M**	**$18.16M**

Source: *Author's calculations. Conversion volumes reflect Option A projections × 1.15 synergy factor. Per-conversion cost of $67,000 reflects combined Option A ($32,000) and Option B ($35,000) mechanisms.*

OPTION D SUMMARY, THREE SCENARIOS (10-YEAR HORIZON)

Year	Conservative	Moderate	Optimistic
Conversions (60% of Option A)	83	116	140
Total Benefits	$9.72M	$21.19M	$42.22M
Total Fiscal Cost	$2.00M	$2.00M	$2.00M
Net Fiscal Impact	$7.72M	$19.19M	$40.22
Benefit-to-cost ratio	4.9:1	10.6:1	21.1:1
Jobs preserved	356	603	910
Cost per job preserved	$5,618	$3,317	$2,198

Source:*Author's calculations. Conversion volumes reflect 60% of Option A projections from Table 5. Fiscal cost reflects administrative and awareness expenditure only; no new tax expenditure is created.*

TABLE 18: LOAN GUARANTEE PROGRAM PARAMETERS

Parameter	Recommended Value
Guarantee Coverage	75% of loan principal
Maximum Guarantee	$750,000 per conversion
Eligible Loan Amount	$100,000–$1,000,000
Loan Term	Up to 10 years
Eligibility	Worker cooperatives meeting the OTO definition
Administrator	MassDevelopment or EOHED

Source: *Author's calculations. Conversion volumes reflect Option A projections × 1.15 synergy factor. Per-conversion cost of $67,000 reflects combined Option A ($32,000) and Option B ($35,000) mechanisms.*

REVOLVING LOAN FUND PARAMETERS

Year	Conservative
Initial Capitalization	$10–20 million (one-time)
Interest Rate	2–4% (below market)
Maximum Loan	$500,000 per conversion
Loan Term	5–10 years
Repayment Structure	Graduated (low initial payments)
Loss Reserve	10% of fund value
Administrator	MassDevelopment or EOHED

OPTION E SUMMARY—LOAN GUARANTEE PROGRAM

Metric	Conservative	Moderate	Optimistic
Total Conversions (10-yr)	97	136	164
10-Year Contingent Cost	~$0.73M	~$1.02M	~$1.23M
10-Year Total Benefits	$11.3M	$24.8M	$49.5M
Net Fiscal Impact	+$10.57M	+$23.78M	+$48.27M
Benefit-to-Cost Ratio	15.5:1	24.3:1	40.2:1
Jobs Preserved (10-yr)	416	707	1,066
Cost per Job Preserved	$1,755	$1,443	$1,154

OPTION E SUMMARY—REVOLVING LOAN FUND

Metric	Conservative	Moderate	Optimistic
Total Conversions (10-yr)	97	136	164
10-Year Total Cost	~$25M	~$25M	~$25M
10-Year Total Benefits	$11.3M	$24.8M	$49.5M
Net Fiscal Impact	-$13.7M	-$0.2M	+$24.5M
Benefit-to-Cost Ratio	0.45:1	0.99:1	1.98:1
Jobs Preserved (10-yr)	416	707	1,066
Cost per Job Preserved	$60,096	$35,361	$23,450

Source: *Author's calculations. Benefit methodology consistent with Option A. Loan guarantee contingent cost calculated as: total conversions × $400,000 average loan × 75% guarantee coverage × 2.5% 2.5% expected loss rate = $7,500 per conversion. Revolving loan fund cost reflects the upper bound of the $10 million to $20 million capitalization range specified in Table 19, plus $500,000 in annual ongoing costs over ten years. The upper bound is applied as the more conservative assumption for fiscal cost purposes; a $10 million capitalization would halve the modeled cost while proportionally reducing the number of conversions the fund could support in its initial cycle.*

COMPARATIVE POLICY OPTION SUMMARY—CONSERVATIVE SCENARIO

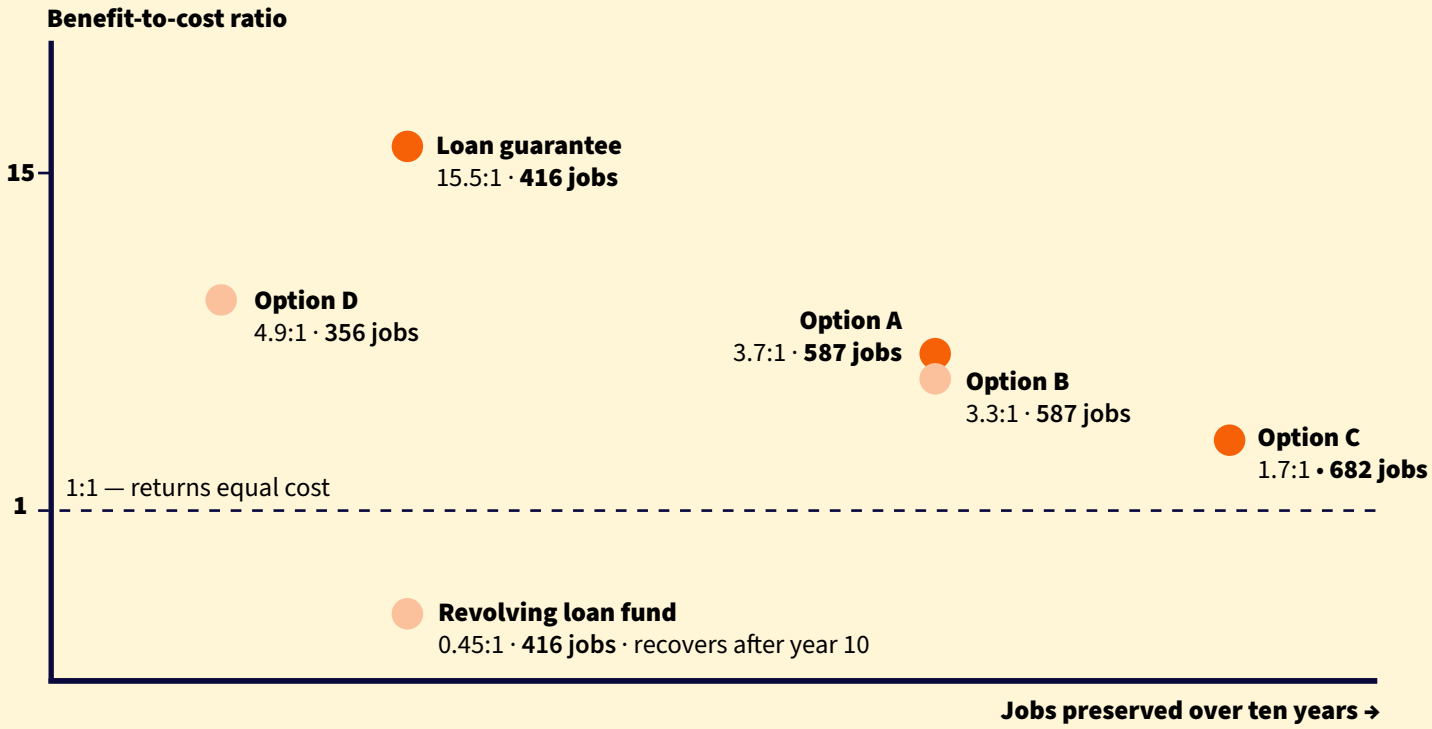
Policy Option	10-Year Total Cost	10-Year Total Benefit	Benefit -to-Cost Ratio	Jobs Preserved	Cost per Job Preserved	Key Advantage
A: Capital Gains Exemption (S.305)	$4.38M	$16.04M	3.7:1	587	$7,462	Fast implementation via existing tax code; directly incentivizes sellers; strongest conservative BCR among tax incentive options
B: Tax Credit (Colorado Model)	$4.80M	$16.04M	3.3:1	587	$8,181	Reduces upfront worker-side cost barriers; benefits flow directly to conversion facilitators and workers
C: Combined Approach (A+B)	$9.58M	$18.45M	1.9:1	675	$14,193	Highest absolute job preservation among tax incentive options; addresses both seller and worker barriers simultaneously
D: State 1042 Enhancement	$2.0M	$13.0M	6.5:1	475	$4,211	Fixed low cost regardless of conversion volume; no new tax expenditure required
E: Loan Guarantee	$0.73M	$11.3M	15.5:1	416	$1,755	Highest BCR of any option; minimal contingent cost enables $10–12M in annual lending; most fiscally efficient job preservation instrument
F: Revolving Loan Fund	$25M (one-time)	$11.3M	0.45:1	416	$60,096	Self-replenishing capital source; long-term value extends well beyond 10-year modeling horizon

Note: *Option B benefits equal Option A benefits because both apply identical conversion volumes, workforce parameters, and closure prevention rates; the two differ only in cost mechanism. Option C volumes reflect a 15% synergy factor applied to Option A. Option D volumes are scaled at 60% of Option A and Option E at 70%, for the reasons given in their respective sections. Revolving loan fund cost reflects the full capitalization treated as a ten-year expenditure; see Section VIII for why this understates the instrument's long-run efficiency. All figures reflect conservative scenario parameters: 33% closure prevention rate, 13 workers per conversion (blended), $50,000 average annual wage, 7% annual growth..*

Source: *Author's calculations. See Sections VII and VIII for methodology and year-by-year projections.*

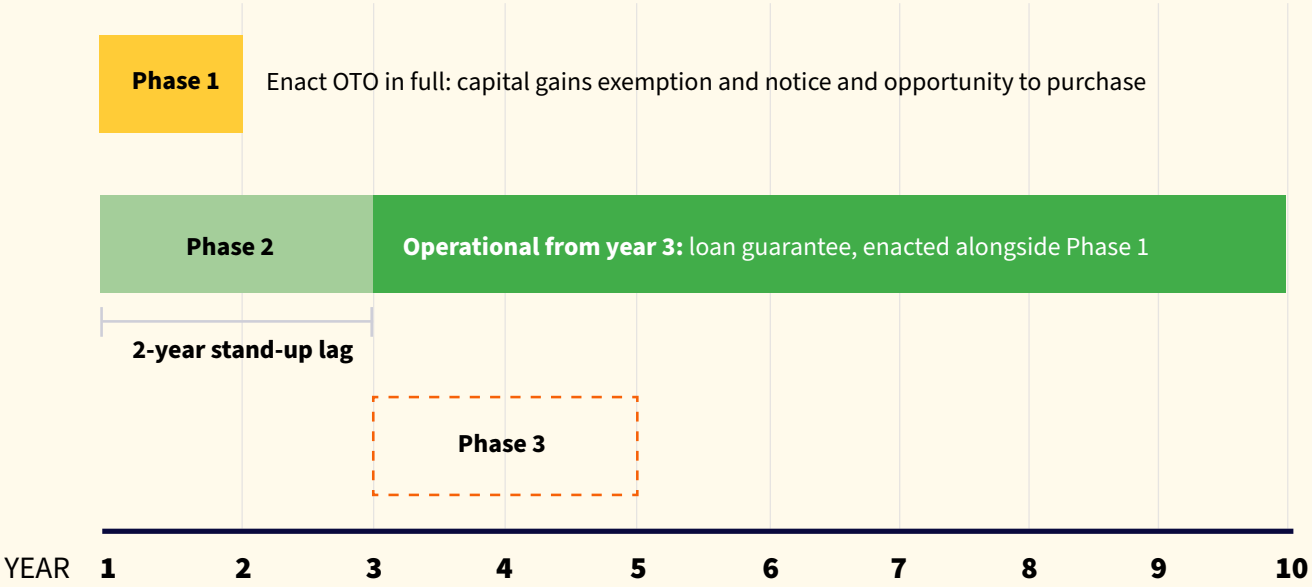
INFOGRAPHIC 6: EFFICIENCY AGAINST SCALE

NO INSTRUMENT LEADS ON BOTH. THAT IS THE CASE FOR SEQUENCING RATHER THAN CHOOSING.



THE PHASED STRATEGY

ENACT PHASES 1 AND 2 TOGETHER. THE LAG IS THE REASON, NOT AN ARGUMENT FOR WAITING.



Closure prevention rate	Conservative ten-year benefits	Benefit-to-cost ratio
33% (conservative scenario)	**$16.04M**	**3.7:1**
25%	$12.15M	2.8:1
20%	$9.72M	2.2:1
15%	$7.29M	1.7:1
10%	$4.86M	1.1:1
9%	**$4.38M**	**1.0:1 (breakeven)**

Source: *Author's calculations. Benefits scale proportionally with the closure prevention rate; fiscal cost is unaffected by it.*