



Why More Iowa Business Owners Are Turning to ESOPs to Preserve Their Legacy



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CALENDAR OF EVENTS

FEBRUARY 20
Registration Open:
Taking Care of Business
Conference

MARCH 5
Connecting Statewide Leaders
MUSCATINE

MARCH 11
Business Day in Des Moines
DES MOINES

MARCH 16
Nominations Open:
Coolest Thing Made in Iowa

APRIL 6
Nominees Announced:
Coolest Thing Made in Iowa

JUNE 2-4
Taking Care of Business
Conference
CORALVILLE & IOWA CITY

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FROM THE CHAIR:

Planning for What Comes Next

One defining characteristic of Iowa's business community is its long-term mindset. Many of our companies were built over decades — often by founders who invested not just in their operations, but in their employees, communities, and the future of our state. That perspective is especially important as business owners begin thinking about succession and what comes next.

This month's Business Monthly focuses on business transitions and the growing role of employee stock ownership plans, or ESOPs. Succession planning can take many forms, but at its

core, it's about continuity — preserving what works, protecting jobs, and positioning businesses for long-term success. For some companies, ESOPs have become an effective way to achieve those goals while maintaining local ownership and rewarding the employees who help drive growth.

As these conversations continue across Iowa, access to trusted information and peer insight is critical. ABI plays an important role in helping members learn from one another, understand their options, and engage in thoughtful planning — whether that planning involves

ownership transitions, workforce development, or broader strategic decisions.

Looking ahead, opportunities to learn and connect with fellow business leaders will continue. Planning is underway for the 2026 Taking Care of Business Conference, taking place June 2–4 in Coralville and Iowa City. Registration will open in late February, and I encourage you to watch for details and make plans to join us.

I hope you find this issue informative and timely, and that it sparks meaningful conversations within your own organization about planning for the future. **ABI**



Kellan Longenecker
ABI Chair
General Mills

Growing Forward

We welcomed the following attorneys to our Iowa team in 2025.



Bill Daly
Corporate & Securities



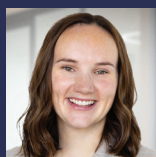
Jon Landon
Tax Planning



Thomas Bush
Corporate & Securities



Amber Crow
Employment & Labor



Carly Parle
Tax Planning



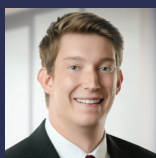
Drew Carlson
Energy



Allison Richter
Real Estate



Rachel Lubben
Mergers & Acquisitions



Jared Bock
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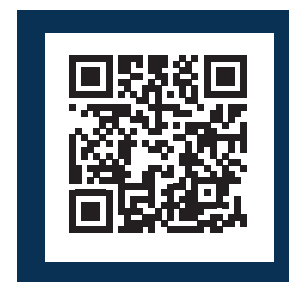


Caleb Piersma
Business Litigation

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CAPITOL BUSINESS:**Business Succession
in Public Policy**

A good bit of the month's Member Monthly newsletter is dedicated to the succession of business ownership, with an eye on managing such transitions to preserve continuity, stability and preparing for the future. At ABI it is helpful to think of sustaining good public policy outcomes in the same manner.

**JD Davis**

Vice President, Public Policy
ABI
jddavis@iowaabi.org

Attention must be paid to who occupies key leadership roles how a "bench" of future leaders is identified and developed. Tools and information must be provided to rank and file "employees" to help them be successful in providing a pro-growth environment in Iowa.

The stakes are high for those affected by policy choices and for those making them. 2026 is an election year and all one hundred Iowa House members, half the fifty member Iowa Senate, the Governor, one of two U.S. Senators and all four members of the U. S. House will be determined by the November elections. Some positions will have no incumbents; others will have incumbents seeking an additional term. ABI works this succession process to best secure a continued pro-growth business environment in many ways.

ABI publishes voting records for incumbent members of the Iowa House and Senate so the public can gauge their performance on key ABI priorities.

The "Friend of Iowa Business" designation is earned by incumbents that have helped move pro-business priorities and is widely publicized and candidates may use the designation as part of their campaigns.

Members of ABI contribute to the Iowa Industry Political Action Committee (IIPAC) to pool their contributions and financially support pro-growth, pro-business candidates for office.

Open seat elections for Iowa executive branch and statehouse positions where no incumbent is running are invited to an interview process by the ABI hosted "Economic Progress for Iowa Citizens" organization. This process lets new candidates understand the public policy priorities of ABI and gives ABI an early glimpse of a candidate's governing philosophy.

Each ABI member can play a role in this plan for optimized succession planning. First, let the candidates get to know you back home. Let ABI help you arrange facility visits for candidates to let them appreciate your role in the community. Second, if you are not a member of IIPAC, join today by going to <https://www.iowaabi.org/public-policy/iipac/>. And finally, make a point to register and attend the ABI Business Day in Des Moines on March 11, 2026 <https://www.iowaabi.org/events/detail/520-business-day-in-des-moines/>, where you can interact with the Governor and legislative leaders of both parties to stress the importance of pro-growth, pro-business policies.

Just as in the private sector, if you are not planning for succession in the public sector, it becomes something that you are simply reacting to after the fact. Sustaining public policy achievements takes planning and commitment. We hope that you will consider committing to IIPAC today if you have not already done so. We hope that you will also commit to building a relationship with legislators at home through facility visits or here at the Capitol with the ABI Business Day in Des Moines. **ABI**

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COVER STORY FROM PAGE 11

Why More Iowa Business Owners Are Turning to ESOPs to Preserve Their Legacy

BY CHELSEA KEENAN PRIEST



For many business owners, retirement is not just a financial decision — it's a personal one. After years or decades of building a company, preserving their legacy is as important as securing their future.

One increasingly popular option is selling your company to an Employee Stock Ownership Plan (ESOP). While ESOPs may not be the right fit for every business, they can offer financial as well as legacy-related advantages for business owners preparing for retirement, experts said. There are about 148 ESOPs in the state of Iowa with more than 96,000 participants, according to the National Center for Employee Ownership.

An ESOP is a type of retirement plan, similar to a 401(k) plan, that invests primarily in company stock and holds its assets in a trust for employees. Over

time, employees receive shares in the plan and are paid out by having their shares bought back, typically after they leave the company.

"When there's not an obvious family member to take over a company or a succession plan, an ESOP becomes an effective tool to keep the company in a community and keep dollars in the community," said Tom Cavanagh, vice president of BCC Capitalize Advisers. The Des Moines-based investment banking firm has a lot of experience in the ESOP world, performing annual company appraisals to set share prices as well as working with sellers.

Selling to a competitor or private equity firm can often mean relocating company headquarters, workforce reductions or a change in company cul-

ture, said Michelle Jensen, president and CEO of Cedar Rapids-based Rayer Holdings. The company, which has been employee-owned for more than 20 years, started as a community pharmacy and health care company. In 2018, it started diversifying itself, acquiring other Iowa-based companies looking to sell to an ESOP.

"Employees are with (business owners) for so much of the journey, especially in smaller communities and towns," said Ms. Jensen. "Owners want to feel good about selling their company — it's their identity — and these businesses often support the communities they live in."

Selling to an ESOP doesn't mean no changes will be made, Ms. Jensen said, but it does mean the important things

are left intact. Companies remain in the community, employees remain in their roles and company culture is left alone.

Mr. Cavanagh and Ms. Jensen both agreed that there is no magic-size a company must be to make an ESOP work, but there should be at least 20-30 employees. Companies should also have consistent cash flows and profitability as well as strong middle management.

"It's definitely something you need to plan ahead for," said Mr. Cavanagh. "If you don't, the circumstances will dictate which path you go and that may not be the path you wanted. Planning ahead is important, getting the right team in place to educate owners on what the options are, what's required and what's feasible."

Companies highly reliant on people,

Employee Stock Ownership Plan

such as engineering, construction or marketing, tend to work well as an ESOP, Mr. Cavanagh added.

Selling to an established ESOP is like selling to any other buyer, Mr. Cavanagh said. You want to make sure the company culture aligns, there is continuity for employees and similar growth objectives.

ESOPs can also be a great recruiting tool, experts said. Well-managed ESOP companies can experience higher employee engagement, lower turnover, greater productivity and improved company performance.

Surveys conducted by the National Center for Employee Ownership found that ESOPs have lower voluntary quit-rates than the national average and their employees have greater retirement security.

Managing an ESOP can be time consuming, Ms. Jensen said, adding it's almost like managing an additional company. Shares must be repurchased when employees leave, a board must be put into place to make decisions and employees need to buy into the idea.

"If you're truly going to embrace it, there's education needed and it takes commitment from leadership," said Ms. Jensen. "You need to have committees, go to conferences, give employees time to learn about it, all while you're still running a business and serving clients or patients. The true success of an ESOP is having your employees engaged."

There can also be a fair amount of misunderstanding from employees at the start, said Mr. Ca-

vanagh. Employees can see a transition to an ESOP as potential for additional work or a financial obligation to buy into the ESOP, so it's important to have effective communication explaining what the transition means.

"It does take a coordinated communication plan and time to develop," said Mr. Cavanagh. "In the first few years employees may not feel much of an impact. But the more mature ESOPs, that's where you can have neat stories. We start to see employees take ownership on what they can control and how that can contribute to cost savings and overall value."

If transitioning to an ESOP is something your business is interested in, Ms. Jensen said there is plenty of support in Iowa.

"It's very collaborative," Ms. Jensen said. "And you don't need all of that info on Day One, but it's something to think about. Does it make sense to do it on your own? Or does it make sense to sell to ESOP? You need to look at all the options."

For owners who value independence, culture, and long-term continuity, an ESOP can provide a powerful alternative to traditional exit routes. With careful planning and the right advisory team, it can transform retirement from an ending into a lasting legacy.

"It's a complex plan and strategy but there's a ton of benefit to both owners and employees alike as well as the community and other stakeholders," Mr. Cavanagh said. **ABI**

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Q&A: Executive Health

Q. Why would an organization invest in executive health for leadership teams?

A: The health of an organization is often a reflection of the health of its leadership. By investing in executive health, companies can identify and manage potential risks early, long before they impact performance. Healthy leaders are sharper, more resilient, and better equipped to make high-stakes decisions. This investment not only supports individual well-being but strengthens the overall organizational culture, drives productivity, and improves talent retention. In many ways, it's a strategic business decision as much as it is a personal health one.

Q. How do executive health programs demonstrate value to the company beyond just the individual?

A: When executives are healthy, the ripple effects extend well beyond their office. Fewer sick days, lower long-term healthcare costs, and higher productivity all translate into measurable business outcomes. Proactive health management reduces unplanned absences and helps keep key decision-makers fully engaged. Additionally, offering executive health programs demonstrates that the organization prioritizes its people. That sends a powerful message to the entire workforce and can be a differentiator in attracting and retaining top talent.

Q. What can a busy executive expect during their visit, and how do you tailor the

experience to their health risks and lifestyle?

A: We know that time is the most valuable commodity for our executive patients. That's why the experience is designed to be comprehensive yet highly efficient.

Each patient is paired with a dedicated executive health coordinator who serves as their guide throughout the day. We begin with an in-depth consultation with a primary care provider to review medical history, lifestyle factors, and any specific concerns. From there, the patient moves through a carefully planned schedule of screenings and tests, all tailored to their individual health risks and goals.

At the end of the visit, they meet again with the same provider to review results, discuss personalized strategies, and leave with a clear plan to support their long-term health. The entire process is seamless, private, and designed to fit into a single day, without sacrificing thoroughness.

Q. What types of health concerns or risks do you most often uncover during these exams?

A: Cardiovascular health is the most common area where we uncover early risks. Many executives feel well but are living with silent risk factors such as elevated cholesterol, high blood pressure, or early signs of heart disease that might not surface during a standard physical. With more extensive testing and imaging, we can detect issues earlier and develop targeted interventions.

We also identify concerns related to stress, sleep, weight management, and metabolic



Dr. Sudeep Gupta
The Iowa Clinic

health. These are areas that, when addressed proactively, can dramatically improve both quality of life and long-term outcomes.

Q. How do you support patients after the exam if something concerning is found?

A: If we identify something that needs attention, patients are never left to navigate the next steps alone. Before the visit concludes, we review all findings in detail and discuss both medical and lifestyle options. Our executive health coordinators often schedule follow-up appointments with the appropriate specialists, whether that's cardiology, pulmonology, gastroenterology, or physical therapy, so there's no delay in care.

Our goal is to ensure that every patient leaves not just with answers, but with a clear, coordinated plan for what comes next. This level of follow-through is what turns a single exam into a meaningful, ongoing partnership. **ABI**



ABI FOUNDATION:

Developing Tomorrow's Workforce Starts Today

Workforce continues to be front of mind for all businesses and individuals. As the Foundation opens registration for our high school program, Business Horizons, we are taking a closer look at what companies are seeking in their future workforce, and how they can play a role in developing it. High school students are leaning into the workplace earlier and more intentionally than ever before, and we are thrilled to help bridge that gap between education and industry.

Business Horizons is a week-long summer program that brings together Iowa high school students and the business community to tackle real-world business challenges. Students work in teams to create new products or services, build a business around their ideas, and pitch them to industry professionals. Throughout the experience, students develop the very skills employers say they need most: initiative, creativity, analytical thinking, collaboration, communication, and resilience.

For businesses, Business Horizons offers an opportunity to engage early with the future talent pipeline, before students are choosing majors or career paths. By getting involved, companies can help shape students' perceptions of the workplace, introduce them to career opportunities they may not have considered, and influence the skills and mindsets they bring into the workforce.

Ways Businesses Can Get Involved

There are several ways for businesses to participate in Business Horizons this summer:

- **Serve as Judges or Mentors:** Professionals can evaluate student pitches, infomercials, and trade show presentations, offering on sight feedback and insight. Mentors help guide teams, answer questions, and model professional problem-solving.

- **Nominate Students from Their Community:** Encourage and nominate high school students from their local communities to participate in this statewide program, helping expand access and ensuring students from across Iowa are represented.
- **Support the Program:** Financial support or sponsorship helps ensure access for students from rural, urban, and suburban communities, and diverse backgrounds, strengthening the future workforce for all Iowa businesses.



Anna Mable
Workforce and Programs Coordinator
ABI Foundation
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When businesses engage with Business Horizons, they're not just volunteering, they're investing. Students gain confidence, career awareness, and practical skills, while employers build brand awareness, strengthen community connections, and help cultivate a more prepared, motivated, and in-

formed workforce.

Business Horizons takes place this summer at Grand View University, July 19-23, 2026. To learn more about getting involved, contact the Foundation or visit our website to explore partnership opportunities. **ABI**



EXPERT ADVICE:

Employee Ownership as a Strategic Exit

A version of this article first appeared with Eide Bailly.

An Employee Stock Ownership Plan (ESOP) offers a powerful way to transition your business while preserving its culture and rewarding employees. It's a flexible, tax-efficient strategy that deserves consideration.

How ESOPs Work

An ESOP is a retirement and ownership program where you sell the company to employees through a trust that holds and manages stock. Employees gradually acquire shares based on factors like compensation and tenure. Stock is valued annually, and employees receive cash equivalents when they retire or leave.

Key Benefits:

- **Flexibility:** You can sell gradually, maintain control during transition, and choose financing options that fit your goals.
- **Tax advantages:** ESOP-owned S-corporations enjoy significant tax exemptions, and contributions often qualify for deductions, improving profitability.
- **Culture preservation:** ESOPs foster engagement and ownership, aligning employee interests with company success. Studies show ESOP participants build more wealth and experience greater job stability.

Assess Your Readiness

Before committing, evaluate these essentials:

- Does your exit timeline align with an ESOP transition?
- Is your company profitable and financially stable?



Kirk Lindemann
Eide Bailly Partner/
National ESOP
Services Leader



Terry Merfeld
Eide Bailly Partner

- Are you prepared for upfront costs and complexity?
- Will you invest in ongoing employee education?

ESOPs work best for businesses with strong management teams and engaged employees. They offer a strategic exit that safeguards your legacy and builds employee wealth.

Your Next Step

If you want a gradual, tax-efficient transition that rewards employees and keeps your company's values intact, an ESOP may be the right choice. Work with experienced advisors to navigate the complexities and design a plan that fits your goals. **ABI**



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