

Pennoni Associates: A Thriving Workplace Culture With 100 Percent Employee Ownership

Company Overview

Headquartered in Philadelphia, PA, Pennoni is a multidisciplinary consulting engineering firm that serves clients worldwide from 36 U.S. offices. Priding itself on honesty, integrity and service, the firm was founded more than five decades ago and employs 1,200+ employees. In 1994, the company established an employee stock ownership plan (ESOP) to transfer ownership from its founder, C.R. “Chuck” Pennoni, to the employees.



Situation

A long-time client of SES ESOP Strategies, Pennoni was prepared for a final stage ESOP transaction. At the time of the final transaction, the ESOP’s ownership share had increased to 81 percent. In addition, Pennoni would elect to be treated as an S-corporation for federal income tax purposes.

Pennoni Associates: A Thriving Workplace Culture With 100 Percent Employee Ownership (cont'd)

Solution

Working in tandem with the firm's in-house counsels, attorneys from SES ESOP Strategies' affiliated law firm negotiated the term sheet for Pennoni's transaction and assisted in the diligence process prior to the transaction. The transaction was structured as a redemption and stock purchase, with certain selling shareholders electing 1042 treatment for tax purposes and others choosing a stock redemption in the form of promissory notes.

Now a 100-percent ESOP-owned S Corporation, Pennoni and its sole shareholder, its ESOP, enjoy the benefits of flow through taxation to a tax-exempt entity.



“Maintaining our culture of Pennoni, which is defined by honesty, integrity and service, was imperative as we worked through this transition,” said Mark Celoni, PE, Regional Vice President of Pennoni's Greater Philadelphia Region. “We are grateful for the help SES ESOP Strategies has provided over the years and in this final ESOP transaction and we look forward to continued success as a 100-percent ESOP-owned company.”