

Packaging Concepts' journey to employee ownership: How a family business made the ESOP transition

June 2, 2025

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Image: SLBJ

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Packaging Concepts Inc.'s manufacturing plant at 9832 Industrial Drive in south St. Louis County.

Story Highlights

- Packaging Concepts transitioned to employee ownership through an ESOP in 2023.
- ButcherJoseph advised on the transaction, while UMB Bank provided financing.
- COVID-19 delayed the ESOP process, which initially began in 2019.

The process of transitioning a big family-owned business with a 50-year legacy into an employee-owned isn't quick, and it certainly isn't simple.

To help illustrate what it takes to make the leap from a few owners to an Employee Stock Ownership Plan, or ESOP, John Irace, CEO of Packaging Concepts, discussed how he

connected with St. Louis-based investment bank [ButcherJoseph & Co.](#) and Kansas City-based [UMB Bank](#) on the sale of the company to its employees.

Rose Thompson, chief operating officer of ButcherJoseph; and Rush James, senior vice president and commercial team lead for UMB, also talked about their roles, respectively as the financial adviser to Packaging Concepts on the transaction and the lender that financed it.

Packaging Concepts, which is based in south St. Louis County, manufactures flexible packaging and custom-folded paperboard packaging. It has about 250 employees with manufacturing facilities in St. Louis County and Houston. Terms of the 2023 transaction – which was delayed by the start of the Covid-19 pandemic and the supply chain problems that followed — were not disclosed.

The following excerpts of their interviews have been edited for brevity and clarity.



Image: Packaging Concepts

John Irace, CEO of Packaging Concepts Inc.
Packaging Concepts

Irace: We've been in business since 1972. I'm the oldest of eight in the family and all of us have been in the business at one time or another. In 1998, my brother Tony and my sister Barb and I had the opportunity to buy out our father. During that time period, (Congress) lowered the capital gains tax to 20% and he jumped on it, and said "now is the time to buy me out if you want to." We closed the deal in March of 1999.

I have a son, Adam, who has been in the business for over 25 years. Tony and Barb and I talked about how do we transition to the next generation. From 1999 to 2019, we had grown the business about five-fold. My son Adam wasn't able to take on the risk of buying the company from my brother, my sister and I. I have a friend who ended up doing an (employee stock ownership plan) with his company with ButcherJoseph and he put us in touch.



Image: ButcherJoseph & Co.

Rose Thompson, chief operating officer of ButcherJoseph & Co.
ButcherJoseph & Co

Thompson: Our job is to educate on what options exist and what considerations might be as they evaluate different ownership transitions. As we learned more and more about the family, the tenure of the employees and also the business model of Packaging Concepts, it

was very well-suited for an ESOP and transitioning ownership to the employees through that vehicle.

We spend a lot of time up front assessing the lenders that would be well-suited for the company, the management team and the business. Then we go out to market to raise the financing piece from the outside lenders and ultimately negotiating the sale of the company with the trustee team, which is the fiduciary that acts on behalf of the ESOP participants.

Irace: In the fall of 2019, we were moving toward closing. We were like 95% of the way there. ButcherJoseph spearheaded everything and put together a whole packet that went out to the different banks. At that time, UMB stepped up and that was our bank of choice. March 2020 came and COVID hit and someone said, pencils down, we can't close because of COVID. No one knew what COVID was. No one knew whether it was going to last one month, two months, five months.

By the spring of 2023, we got in touch with ButcherJoseph again and we said "well, let's start the ball rolling again." ButcherJoseph had to pretty much start from scratch. They put out a packet and we went out to market again. I think they marketed it to like 20 different banks and UMB was one of them and we had like 16 responses.

We got some very good offers from some larger banks. Mariner Kemper (chairman and chief executive officer of UMB Financial Corp.) called me and said, "John, I really want your business." I thought that was pretty special to have the owner of the bank do that. We ended up choosing UMB.

James: We have always worked very well with ButcherJoseph. They underwrite and present the deals in a very sensible manner. Packaging Concepts was a great family-owned company and we really enjoyed working with them during the underwriting process. We pride ourselves on being nimble, flexible and responsive.



Rush James, senior vice president, commercial team lead, UMB Bank
UMB Bank