Scotty Crockett (left) and Geoff Russell of newly formed Guardian Fleet Services stand in front of two heavy-duty rotators that are part of Guardian Fleet's over 250 pieces of equipment.

Meeting of the Minds:

Geoff Russell and Scotty Crocket of Guardian Fleet Services

By Maria T. Padilla

Two towing company owners sit at opposite ends of the winch cable. One is at the start of his career and the other is at the end. One has many years of experience, one is learning as he grows.

But each found something they could agree on: the merger of their respective companies into Guardian Fleet Services, likely the first employee stock ownership plan (ESOP) company in the towing and recovery industry. Towing operators and other staff own 30 percent of the firm, while Geoff Russell, formerly of Kauff's Transportation Systems Inc., and Scotty Crockett, previously of Crockett's Towing LLC, own the remaining 70 percent.

Together they executed an idea that joined the two ends of the cable and created a meeting of the minds.

"To me it's perfect," says Crockett, 37, who found someone with whom to share the burden of being a company owner. "Geoff is intelligent and has a lot of knowledge. The amount of stuff that I learn from him as a mentor is very beneficial to me. I'm not the man at the top. Now there's two of us."

Russell, 62, acknowledges that Crockett "is the next generation of leadership in our company." He plans to reduce his involvement in Guardian Fleet over the next seven years.

Together as One

Russell and Crockett, each based at opposite ends of Florida, have a combined 100 years of experience. They manage over 210 employees and more than 250 pieces of

equipment. It's enough to keep heir-apparent Crockett on the road three days a week.

On Tuesdays and Wednesdays Tampa area-based Crockett can be found in Orlando, managing Ace Wrecker Service, Russell's Towing & Recovery and Hughes Towing – all part of the merger.

If it's Thursday, Crockett is at Kauff's Transportation in West Palm Beach, South Florida, conferring with Russell. Each company keeps its respective name.

"I stay busy, that's for sure," Crockett says.

A former race car driver, Crockett wants to grow full speed ahead. "We have four entities and we plan to keep growing it from there with good quality companies that want to be part of the organization."

The Right Time?

This just may be the right industry moment to do it. According to a previous ***Tow Times***' survey, about 60 percent of tow company owners are over age 45, with one-quarter over age 55. Only one of five or 20 percent of tow company owners falls into Crockett's age group – 35 to 44 year-olds.

Which means there may be many tow company owners looking for a door to exit the business gracefully. "Every owner says, 'You want to buy me' tongue in cheek, but they mean it," comments Russell.

Adds Crockett: "In our industry, there is nobody buying tow companies right now. It's such a hard industry and impossible to sell one. A lot of people are looking at the merger like there's a buyer now."

Indeed, reaction on Facebook recognized the potential value of the deal, with the news post reaching over 8,000 readers who shared it at least 24 times.

Game Changer

"Industry game changer," wrote Ken Sposato, branch general manager at Kriete Group, a seller of heavy-duty trucks based in Wisconsin.

"Major game changer," said Bryan Pillow, owner-operator of Royal Roadside in North Carolina. "Employees working for more than just an employer and now benefit from the overall growth."

Employees as Owners

That's because Guardian Fleet employees are not considered workers but company owners. Crockett indicated that Guardian Fleet employees aren't exactly sure what that means yet, but help is on the way.

Guardian Fleet is planning orientation sessions at company sites presented by the ESOP's trustees beginning in January 2018. Crockett is working on other employee incentive plans as well. "Employees don't see and touch and feel it yet," says Crockett.

But Russell adds that the ESOP is another tool in the toolbox that's key to creating a stable and better compensated workforce. "We'll be able to pass compensation benefits to stakeholders and create a stable workforce," he says.

It also may give Guardian Fleet a competitive edge, especially in attracting a new generation of workers. "The hardest thing right now is to get a younger generation into the industry. What will make them want to invest their time? The ESOP is something other tow companies cannot offer," according to Crockett.

How it Works

In a nutshell, Guardian Fleet employees receive a share of company profits each year in the form of shares that are deposited in their respective accounts. Neither Russell nor Crockett can touch the shares, which are managed by the trustees.

"We have no ability to take money out," Russell emphasizes. "The ESOP must meet the standards of oversight of the trustees."

Employees can access their company shares after a six-year vesting period. If an employee leaves the company after six years, Guardian Fleet must buy back the employee's stock at market prices.

In the event of the dissolution of the company, the ESOP must be paid first. "The ESOP has first rights," Russell explains.

In return, the company and shareholders are eligible for tax breaks, principally certain deductions.

The Road Ahead

Crockett and Russell plan to find more towing prospects to merge with, potentially making 2018 another big year for Guardian Fleet and its employee-owners.

"Guardian will do more mergers in the next 12 months," says Russell. Companies are not considered competitors but a "potential acquisition," explains Crockett.

Russell agrees: "Our strategy is to grow revenue and net income."

ABCs of ESOPs

- ESOP is a defined contribution/benefit plan
- Company distributes a percentage of profits to ESOP each year
- Each shareholder has his or her own ESOP account
- Each account is protected by trustees
- Managers cannot touch the ESOP distribution
- If company is dissolved, the ESOP has first rights
- The company and shareholders are eligible for certain tax breaks