EMPLOYEE STOCK OWNERSHIP PLANS

Why Should You Care About ESOPs?

- ESOPs provide major tax benefits to business owners for the sale of their business;
- ESOPs provide significant tax benefits to the company for establishing a generous stock benefit plan for its employees
- ESOPs provide unparalleled retirement benefits to the employees with the accumulation of company stock in retirement accounts for their benefit.

ESOPs can be used to:

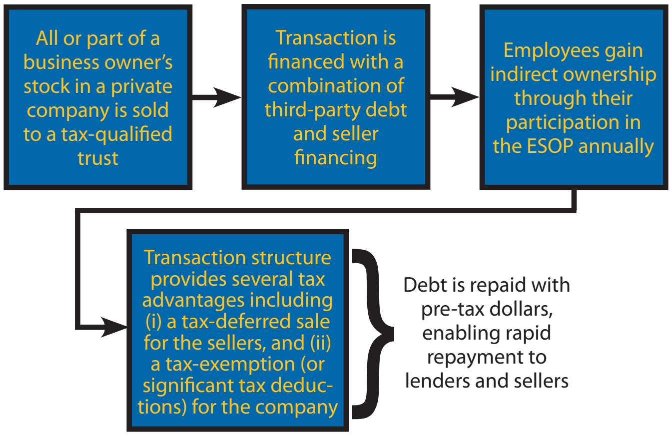
- Facilitate a liquidity event for business owners
  *ESOPs can enable business owners to get money out of their illiquid business and diversify their wealth in a tax-deferred manner
- Provide significant tax deductions to the company thereby increasing cash flow to amortize debt

ESOPs can assist with:

- Business succession planning
- Estate planning
- Creating a more motivated and productive workforce
- Income tax planning
- Cash flow management
- Tax advantaged acquisitions of other companies

**ESOPs are a means to many desired ends and without them in your planning arsenal you are not adequately armed.*

ESOP Buyout Overview



ESOP Transaction Benefits

- Tax-deferred transaction for sellers of stock
- Full fair market value price paid to sellers
- Significant cash at close to sellers
- After-tax proceeds to sellers likely exceed proceeds from a third party sale
- Confidential transaction; avoids information leaks to employees, customers, suppliers, and competitors
- High likelihood of a rapid, successful closing
- Shorter completion time than a third party sale--transactions generally close in less than six months
- Company may become permanently tax-exempt through the 100% ESOP S corp benefit
- Sellers remain active (if desired) and in control of the company so long as desired
- Aligns sellers' interests with those of executives, managers, and employees
- Company legacy and culture are preserved and maintained
- High yield seller note that is paid post-closing can include equity upside participation through warrants

Determining Closing Cash Amount For Sellers

Amount of up-front cash proceeds to the sellers is determined by the debt capacity of the company. In most 100% ESOP buyouts, the sellers will need to provide some seller financing. Sellers will receive comparable market level returns for this financing (often with upside participation in the company's future success). Alternatively, sellers may choose to sell less than a controlling interest position based on the availability of financing. In addition, sellers can remain in control of the company through creditor rights protections relating to the full payment of the purchase price.

In the 100% ESOP buyout, the sellers are likely to receive the entire purchase price within five years or less. During this period of time, control of the company can be transitioned to successor management. This period often provides a "gentle transition" for both the sellers and the company while the sellers are cashing out.

How Do Management And Employees Benefit From An ESOP?

ESOPs represent a mutual alignment of interests and allow employees to indirectly own company equity through the ESOP trust and build retirement wealth without paying current taxes or investing capital. ERISA's qualified plan requirements ensure employees are treated fairly. Key executives and managers often participate in substantial equity-like incentive compensation (i.e. equity based non-qualified deferred compensation), in addition to their salaries, bonuses, ESOP participation and other benefits.

FOR MORE INFORMATION, PLEASE CONTACT:

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