

B T A

BUSINESS
TRANSITION
ADVISORS

E S O P

EMPLOYEE
STOCK
OWNERSHIP
PLAN

E S O P

YOUR **IDEAL** SOLUTION



BOARDROOM

Sell all or a portion of your company...

to a ready & willing buyer at
full Fair Market Value...

plus indefinitely defer all
capital gains taxes...

while leaving behind a completely
income tax-exempt entity.



BUSINESS
TRANSITION
ADVISORS

OUR EXPERIENCE
YOUR SUCCESSES

100+

YEARS
OF
COMBINED
TEAM
EXPERIENCE

EXPERIENCE WORKING WITH

40,000+
EMPLOYEES

1,200+
STOCKHOLDERS

MARKET
VALUES
OVER

\$6.1 BILLION

PROVIDING SERVICE IN ALL

50 STATES

*Specializing in
the design and
implementation
of Employee
Stock Ownership
Plans (ESOPs)*

ESOP SERVICES

- Complimentary Financials Review
- Preliminary Analysis
- Feasibility Studies
- Valuation Consulting
- Plan Design
- Transaction Design
- IRCS1042 Planning
- Financing
- Repurchase Liability Consulting
- Employee Communications
- Post ESOP Transactional Services

INDUSTRIES SERVED

- Architectural
- Construction
- Contractors
- Consumer/Industrial Distributors
- Energy
- Engineering
- Financial
- Healthcare
- High-Tech & Biotech Manufacturing
- Retail
- Service Companies
- Technology
- Wholesaler/Distribution

ESOP

A KEY PART OF YOUR BUSINESS SUCCESSION PLAN

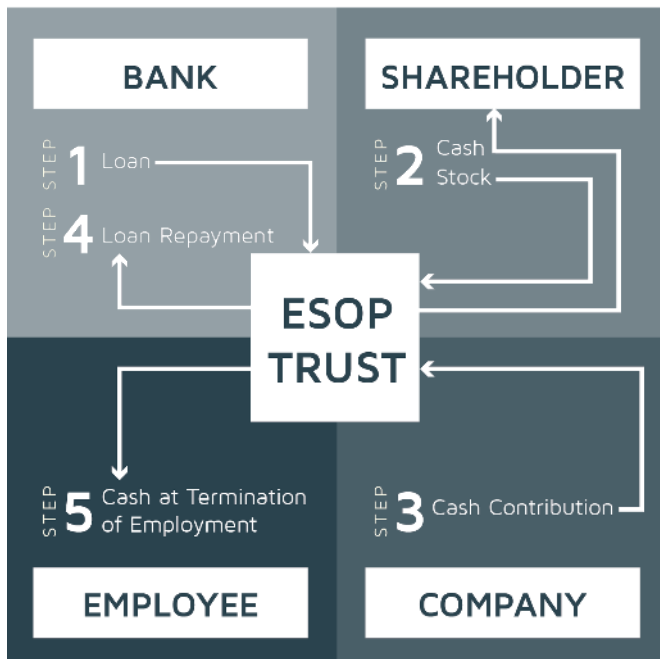
ESOP // *Employee Stock Ownership Plan* // A qualified, defined contribution employee retirement plan designed to invest primarily in employer stock of a sponsoring company.

ESOPs provide an opportunity for business owners or shareholders to successfully plan an immediate or gradual tax advantaged exit strategy, while also engineering the continued success of the business.

SITUATIONS TO CONSIDER AN ESOP

- Owner retirement, investment divestiture, or immediate cash
- Buy-out of active or inactive partners or investors
- Divorces or Estate Sales
- Management buy outs or takeovers
- Owner diversification of stock concentration
- Refinance of existing debt to allow for the deduction of both principal and interest costs
- Reduce company debt load and increase corporate cash flow
- Owners desiring to keep company locally intact with existing employees

BASIC LEVERAGED ESOP



GENERAL ESOP CANDIDATE PROFILE

ESOPs are very flexible which makes it difficult to provide strict guidelines; however, the following criteria has proven to be effective:

- Business owner who desires partial or full liquidity
- 20 or more full time permanent employees
- Business value of \$10,000,000 or more, or net income of approximately \$2,000,000 or more
- 5 year history of profitable operations
- Strong second line management a plus

FAQs

YOUR ESOP QUESTIONS ANSWERED

01

HOW COMPLICATED ARE ESOPs?

ESOPs have many moving parts and are complex requiring specialized knowledge, skill and expertise. Fortunately, BTA is a specialized ESOP consulting firm that works along side company owners and current advisors to efficiently navigate the implementation process.

02

ARE ESOPs EXPENSIVE?

ESOP implementation requires professional advisors who generally are not inexpensive. Ongoing costs include annual valuation and administration. Expenses must be compared to the significant economic and personal benefits of an ESOP as well as the fees associated with an outright sale, which are typically more expensive.

03

WILL AN ESOP CHANGE THE WAY WE DO BUSINESS?

An ESOP company must follow all federal and state laws. It is best practice to conduct employee meetings to promote the ESOP and provide basic corporate status updates. Additionally, the company must be run for the benefit of all shareholders including the ESOP. However, the seller and family may continue to work and receive a reasonable salary with typical perks and benefits.

04

WILL MY EMPLOYEES HAVE ACCESS TO CORPORATE FINANCIAL INFORMATION?

No. Employees have a beneficial interest in the ESOP not direct stock ownership. Therefore, employees do not have the right to see corporate financials or any other confidential corporate documents.

05

HOW DIFFICULT IS IT TO OBTAIN FINANCING?

Many banks are very willing to lend for ESOP purposes. ESOP loans are not unlike the cash flow and collateral requirements of any other business loan. Additionally, BTA employs creative techniques to significantly reward sellers for taking a seller note for sale amounts in excess of what the bank will lend.

06

HOW DOES AN ESOP EFFECT COMPANY CASH FLOW?

Due to the potential tax-free profits of the company, it is common for the income tax savings alone to be greater than the purchase price and over time having a positive impact on cash flow for corporate growth, hiring and expansion.

07

ESOPs SOUND TOO GOOD TO BE TRUE. WHAT'S THE CATCH?

No catch. ESOPs have been around for over 40 years primarily based on the regulations found in the Employee Retirement Income Security Act of 1974 (ERISA). ESOPs are overseen by both the Department of Labor and the IRS. BTA obtains a "Letter of Determination" from the IRS on every ESOP we install.

ESOPs often provide more money after tax in a seller's pocket than any other transition option.

ADVANTAGES

SELLER

- Immediately sell all stock or portions over time at full Fair Market Value
- Defer federal capital gains taxes or avoid them completely
- Seller and family can retain reasonable personal salary, perks and benefits
- Ability to transfer company on seller's timetable to family or key management
- Retain personal and corporate legacy in the town in which the seller contributed greatly
- Financing ESOPs can be easier and more efficient for businesses than conventional financing
- Seller may maintain equity interest in future upside of company

CORPORATE

- The company receives a dollar for dollar income tax deduction on the entire stock sale price
- An ESOP company can become 100% federal and state income tax exempt
- ESOP companies outperform their peers with increased productivity and higher return on investment
- An ESOP increases employee retention, motivation and loyalty

EMPLOYEE AND COMMUNITY

- Employees enjoy an equity stake in company
- Employees enjoy enhanced retirement benefits with no out-of-pocket costs
- An ESOP creates an ownership culture, which improves employee satisfaction and creates a more enjoyable workplace
- The company remains an important contributor to the community's social and economic fabric



CONCRETE CONSTRUCTION COMPANY

BACKGROUND

- Specialized C-8 concrete contractor
- High quality concrete foundation construction for tract home builders, custom home builders and commercial general contractors
- S Corporation with approximately 530 employees
- Company value \$28,000,000
- 4 shareholders, no family members involved in the business

GOAL

- Shareholders are looking for an exit strategy within 7 years
- Eliminate corporate taxes

SOLUTION

- Establish an ESOP
- All shareholders will sell 100% of their stock to the ESOP
- In exchange for selling their stock sellers will receive cash and seller notes
- \$1,500,000 down payment from Company cash to use towards paying down the shareholder Accumulated Adjustment Account balances
- Balance of AAA and stock sale will be funded by seller notes

BENEFIT TO CLIENT

- 15 year seller notes totaling \$26,500,000
- Life of loan interest of approximately \$4,900,000
- Shareholders received Warrants to divide between seller note holders
- At the end of the seller note period the projected value of the Warrants is estimated to be \$14,600,000
- As a 100% S Corp ESOP owned company, 100% of future profit will not be taxed from that point forward
- Over the next 15 years the corporate tax savings are estimated to be over \$52,000,000

For more success stories visit us online.

WHY CHOOSE BTA?

A DIFFERENT KIND OF ESOP FIRM

We do not take a “one size fits all” approach to ESOP analysis and implementation. We take a personalized and comprehensive approach to meet the unique goals and objectives of each and every client. BTA also takes responsibility for the entire ESOP experience from initial exploration through employee roll-out meetings including gathering the appropriate professionals and offering an “all-in” fee for the customized plan design that meets or exceeds expectations.



COMMERCIAL CONTRACTOR

BACKGROUND

- Commercial plumbing and mechanical contractor for large medical centers, tech facilities, manufacturing plants and professional sports stadiums
- C Corporation with approximately 750 union and non-union employees
- 3 shareholders, several family members involved in the business
- Company value \$110,000,000

GOAL

- Tax-free liquidity event for owners
- Exit strategy within 5 years
- Employee retention & motivation
- Method of rewarding non-union employees
- Corporate tax deduction

SOLUTION

- Establish an ESOP, excluding union employees
- All shareholders will sell 100% of their stock to the ESOP
- In exchange for selling their stock sellers will receive cash and notes
- Shareholders elect IRC 1042 to avoid/defer capital gains tax on stock sale

- Following year of stock sale Company will elect S Corp status
- Company will borrow \$30,000,00 in senior debt

BENEFIT TO CLIENT

- Owners received \$30,000,000 cash at closing
- Sellers carried the balance with 15 year notes (life of loan interest approx. \$43,000,000)
- Shareholders received warrants to divide between seller note holders
- At the end of the seller note period the projected value of warrants is estimated to be \$54,000,000
- Sellers avoid over \$40,000,000 in capital gains tax
- As a 100% S Corp ESOP, 100% of future profit will not be taxed from that point forward
- Over the next 15 years the corporate tax savings are estimated to be over \$164,000,000

BTA'S ESOP TEAM

Our collective business experience provides a unique perspective.



Pictured Left to Right: Fred Thomas, Roy Farmer, Jeremy Huish, Nic Staloch, Dan Zugell, Rick Jaye, Chris Mayer, Beth Walli, Heather Haws.

FRED THOMAS
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Fred is principally responsible for business development, succession planning, ESOP formation, consulting, merger/acquisition and transaction design. He has been actively involved in the financial industry since the mid '70s. *Business Administration degree with Finance major from the University of Missouri. Member of The National Center of Employee Ownership (NCEO) and the ESOP Association.*

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Roy's responsibilities include business development, corporate reorganization and finance, succession planning, consulting and ESOP implementation. He has also been actively involved in the financial industry since the mid '70s. *Business and Business Administration degrees from American River College and Brigham Young University, graduate studies at Pepperdine University. Member of the ESOP Association.*

JEREMY HUISH
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Jeremy has experience as an attorney and a Certified Public Accountant with particular experience with businesses that have or are considering including a captive insurance company as part of the corporate structure. He was the U.S. niche leader for captive insurance matters for a Fortune 500 insurance brokerage and spent 7 years in Washington, D.C. as a tax attorney for a Big 4 accounting firm and an international law firm. *BS Degree in Accounting from Arizona State University. Masters in Accounting Degree and Juris Doctorate from Brigham Young University. LL.M. in Taxation from Georgetown University.*

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Nic's provided financial advisory, corporate finance, and valuation services to middle market companies for 20+ years. Nic has provided valuation and advisory services to major institutional ESOP trustees in the United States. *Accredited Senior Appraiser (ASA) through the American Society of Appraisers, and passed FINRA Series 63 and Series 79 examinations. Member of the ESOP Association and the National Center for Employee Ownership (NCEO).*

DAN ZUGELL ChFC, AEP
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Since 1991, Dan has accumulated a wealth of hands-on experience spanning many financial disciplines. His experience includes

the formation of MetLife's ESOP program as a Director of MetLife's Institutional Specialized Benefit Resources division. Over his career, Dan has emerged as a national presence on ESOP matters as a frequently published author, panelist and featured speaker and has earned several advanced financial designations. *B.A. from Grove City College. Member of The ESOP Association, National Center for Employee Ownership, The Estate Planning Council, Society of Financial Service Professionals and founding member of the Pennsylvania Center for Employee Ownership.*

RICK JAYE AIF, CRC
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With over 30 years of experience in the financial services industry, Rick has provided high level strategic business entity planning, business transition planning, tax mitigation consulting, risk management and benefit consulting services to institutional partners, banks, brokerage, CPA and laws firms. He is a well-known national speaker and instructor on topics of advanced tax, wealth, business entity planning, risk management strategies and retirement. *Bachelor degree in Economics from University of California, San Diego with additional studies at Dartmouth College. Member of the National Center of Employee Ownership (NCEO) and the ESOP Association.*

CHRIS MAYER CFA
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Chris supports the team with valuation and financial modeling. Prior to BTA, Chris held an M&A advisory role supporting both buy-side and sell-side transactions in addition to capital raising and valuation. *Finance degree from the University of Wisconsin-Madison School of Business. Masters in Finance & Economics from Otto Beisheim School of Management in Vallendar, Germany.*

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Beth provides client data management and assists with preliminary analysis and feasibility study work. *Graduate of St. Louis University with a degree in Economics.*

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Heather has worked in similar rolls in various industries including the medical fields and professional internet marketing and has 14+ years of experience. *BS in Business Marketing Graduate of Brigham Young University.*

Contact us today for a complimentary consultation
and a free copy of *Introduction to ESOPs*

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