

ESOP VALUATION & FORMATION

STRATEGIC EQUITY GROUP (“SEG”) has extensive experience in the area of Employee Stock Ownership Plans (ESOPs). You’ve grown your business and now it’s time to either retire or share the wealth with key employees who have played a key role in your success. Perhaps your goal is to provide motivation and build loyalty among your entire labor pool. If any of these are your goals, your company may be an ideal candidate for an ESOP, which provides liquidity to owners seeking either a partial or complete exit. Best of all, in most situations, owners can monetize their positions on a tax-advantaged basis and utilize the opportunity to structure succession planning.

ESOPs have been used successfully by thousands of noteworthy private and public companies since Congress enacted the legislation in 1974.

Is an ESOP right for your company? ESOPs are typically used for the following purposes:

- ✓ The business owner is asset rich and cash poor and wants to monetize a portion of his or her largest and most illiquid asset, but does not want to sell the entire company.
- ✓ The business owner wants to start a new business with proceeds that can be generated by an ESOP.
- ✓ The business owner is proactive and wants to establish a vehicle for a future exit strategy.
- ✓ Major shareholders’ goals and desires regarding the business have changed.
- ✓ The business owner wants to provide an employee benefit tied to company performance, while still achieving other goals.

When appropriate, ESOPs provide a way for the selling shareholder to defer and, in many cases, eliminate the capital gain on the sale of their interest. At the same time, subject to certain limitations, the company may also deduct both principal and interest in the repayment of the loan used to buy the selling shareholder’s stock.

The following are a selection of ESOP clients represented by **SEG**:



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