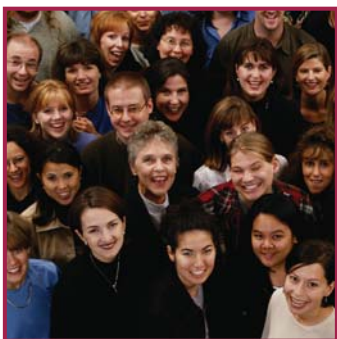


ESOPs



- ▶ Sell your company at fair value
- ▶ Defer or potentially eliminate income tax from the sale
- ▶ Maintain control of your company while developing a multiyear succession plan
- ▶ Preserve your company's legacy
- ▶ Put your company in a position where it pays little or no income tax
- ▶ Reward long-term employees

If it sounds too good to be true, it probably is. Right? Wrong! The exception proves the rule, and an ESOP (employee stock ownership plan) could be your exception. Isn't it time your company realized the "too good to be true" benefits of an ESOP? Studies confirm ESOP companies are more profitable and employees more productive than their non-ESOP counterparts. An ESOP is a win-win situation for you, your company and your employees.

Are You an ESOP Candidate?

According to the National Center for Employee Ownership, ESOPs work best for companies with large income tax burdens and at least 20 employees. Your business may be an ESOP candidate if:

- Cash flow can support bank debt
- Business is stable or growing
- Management is committed to employee ownership
- Competent management will remain after the sale to operate the company
- The company is interested in developing a permanent succession plan
- Payroll is sufficient to amortize the ESOP loan
- The company pays significant tax (the more the better, especially with an S corporation ESOP)

You & Your Employees Win

An ESOP may be especially attractive to business owners concerned about business succession and company legacy. The sale of a business often leads to concerns about job security for long-term employees. The structure of an ESOP allows a selling owner to retain control of the business and protect the employment future of valued workers.

In addition, ESOP employees typically are more productive. Higher productivity means an improved bottom line for the company and increased value to employee-owners. This increased value could become instrumental in retaining key personnel.

In short, an ESOP can offer your company benefits far beyond tax savings.

The BKD Difference

BKD works with ESOPs across the country, from coordinating the initial structure to providing ongoing consulting and compliance services.

We have acted as the principal coordinator in closing leveraged ESOP transactions exceeding \$2

The ABCs of ESOPs

An ESOP is a defined contribution plan that operates through a trust. ESOPs use tax-deductible corporate earnings to buy shares from the owners of closely held companies who wish to sell while deferring (or possibly eliminating) taxation on capital gains from the sale.

These shares of company stock are then allocated to individual participants. The trust can borrow money to purchase the stock, with the company repaying the loan by making tax-deductible contributions to the ESOP.

ESOPs enable the stockholders and/or company to:

- Sell ownership of the company
- Achieve substantial tax savings
- Create a working succession plan
- Provide retirement security for long-term employees

“ They [BKD] took time to explain difficult material so everyone could understand it and asked lots of questions to determine exactly what we needed. Landrum has never received this level of service from any other firm. In fact, we recently turned over our entire 401(k) recordkeeping plan to BKD.”

—Carol Karle, *Vice President of Human Resources*
The Landrum Company, Columbia, Missouri

billion, helping these clients save millions in tax annually.

BKD's ESOP consultants can help you sell your business and share ownership with your employees.

If you are considering selling your business to an ESOP, here's how we can help:

- Provide management and employee education
- Assess overall feasibility
- Prepare prospective financial statements
- Assemble a business plan
- Review business valuation results
- Structure the transaction to meet owners' expectations within regulatory, tax and lending parameters
- Provide management transition advice
- Negotiate loan package
- Advise on qualified replacement property relative to Section 1042 transactions
- Provide continuing compliance services for the plan and its sponsor

BKD's ESOP consultants understand the regulatory climate of ESOPs as well as the objectives of owners and have experience in many industries. We work to help educate everyone from the chief executive officer to each employee about the benefits of the program and the importance of each person's part in making it work.

Our experience also allows us to develop strong relationships with some of the best ESOP professional service providers in the country, including lenders, valuation experts, trustees, legal counsel and bond underwriters.

We also provide ongoing administrative assistance with:

- Employee communication
- Plan allocations
- Participant statements
- Repurchase liability studies
- Compliance monitoring
- Tax consulting



Beyond Your Numbers

BKD would like to take you beyond your numbers by applying our technical expertise, unmatched client service and disciplined delivery of solutions to your management and financial needs. We are committed to delivering results with integrity: solutions that are ethical, practical, timely and affordable. Let us take you beyond your numbers.

Expansion, Diversification Follow Successful ESOP Transaction

A regional grocery store chain considered selling its 40 traditional supermarkets and consulted BKD on the best way to complete the transaction. BKD's answer: an ESOP.

BKD helped management assess the feasibility of an ESOP, assisted with structuring the ESOP, prepared prospective financial statements for lenders and the appraiser, negotiated with lenders, then communicated the ESOP's benefits to employees.

“Our BKD advisor was the mastermind of our ESOP and was just unbelievable in terms of spearheading the deal and getting it done,” says the CEO of the supermarket

chain. “We owe a lot to the BKD team. BKD came in and got the job done.”

Since the successful transition to an ESOP-owned company, the supermarket chain has expanded to operate traditional supermarkets, limited assortment concept stores, convenience stores, a recycling company, an insurance agency, a construction company and a manufacturer.

With more than 10,000 employees, the chain has grown to become the largest 100% ESOP-owned company in the country. In addition, the company has completed numerous ESOP transactions since the initial one and become an S corporation ESOP.



For a complete list of our offices and subsidiaries and their contacts, visit:

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