



# USING ESOPs IN CORPORATE TRANSACTIONS

Please dial: 221-7123

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# HOW TO PRINT THIS PRESENTATION

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# INTRODUCTION

- Definition and History
- Potential Tax Benefits
- ESOP Misconceptions
- Sample Transaction Structures
  - 1042 Leveraged Transaction
  - MBO S corporation
  - Minority Equity Investment
- When to Consider an ESOP

# WHAT IS AN ESOP? DEFINITION AND HISTORY

- An Employee Benefit Plan
- Designed to Invest Primarily in Stock of the Sponsoring Employer
- Endowed by Congress with a Number of Tax Advantages

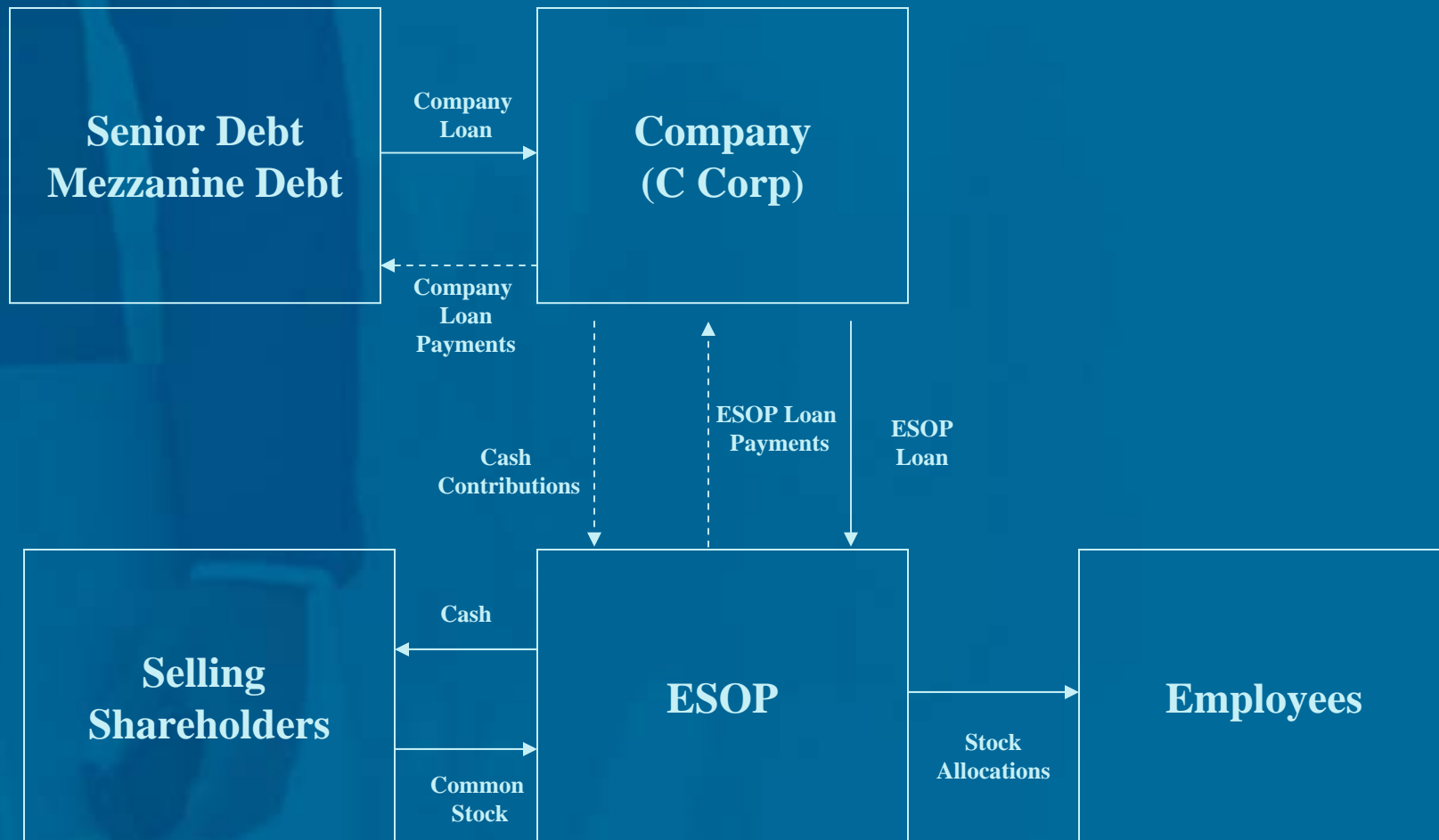
# POTENTIAL ESOP TAX BENEFITS: THE BIG THREE

- Sellers – Under Certain Circumstances, Can Defer or Avoid Tax on the Gain (1042)
- Company – Can Deduct P&I on Loan Used to Finance ESOP Purchase of Employer Stock
- Everyone – If Company is a 100% ESOP-owned S Corporation, No Income Taxes

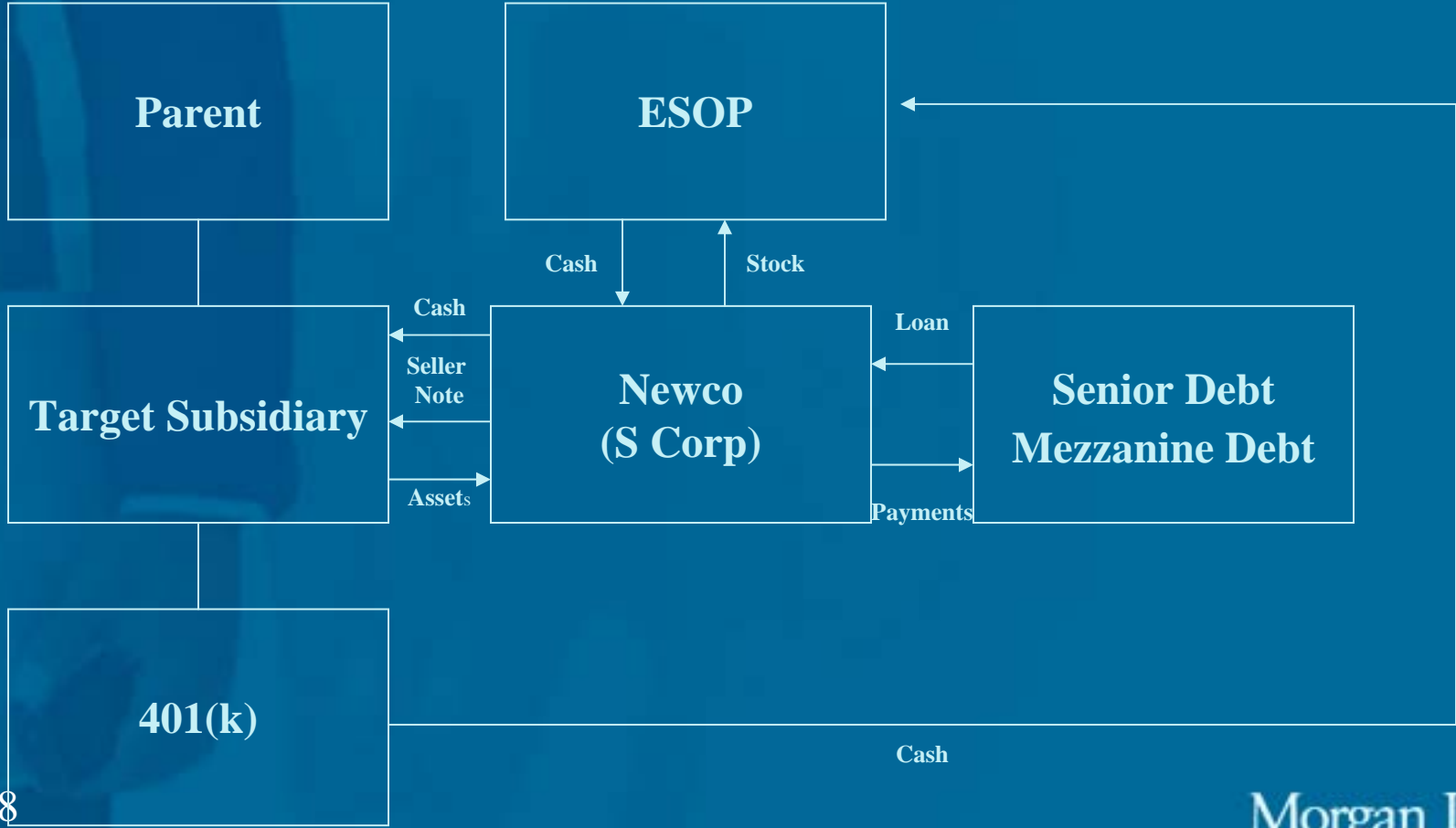
# DEBUNKING ESOP MISCONCEPTIONS

- Misconception No. 1: The employees will run the company.
- Misconception No. 2: The employees will know everything.
- Misconception No. 3: ESOPs preclude incentives for top management.
- Misconception No. 4: The regulatory compliance is excessive.
- Misconception No. 5: ESOPs cannot get financing.

# LEVERAGED 1042 TRANSACTION

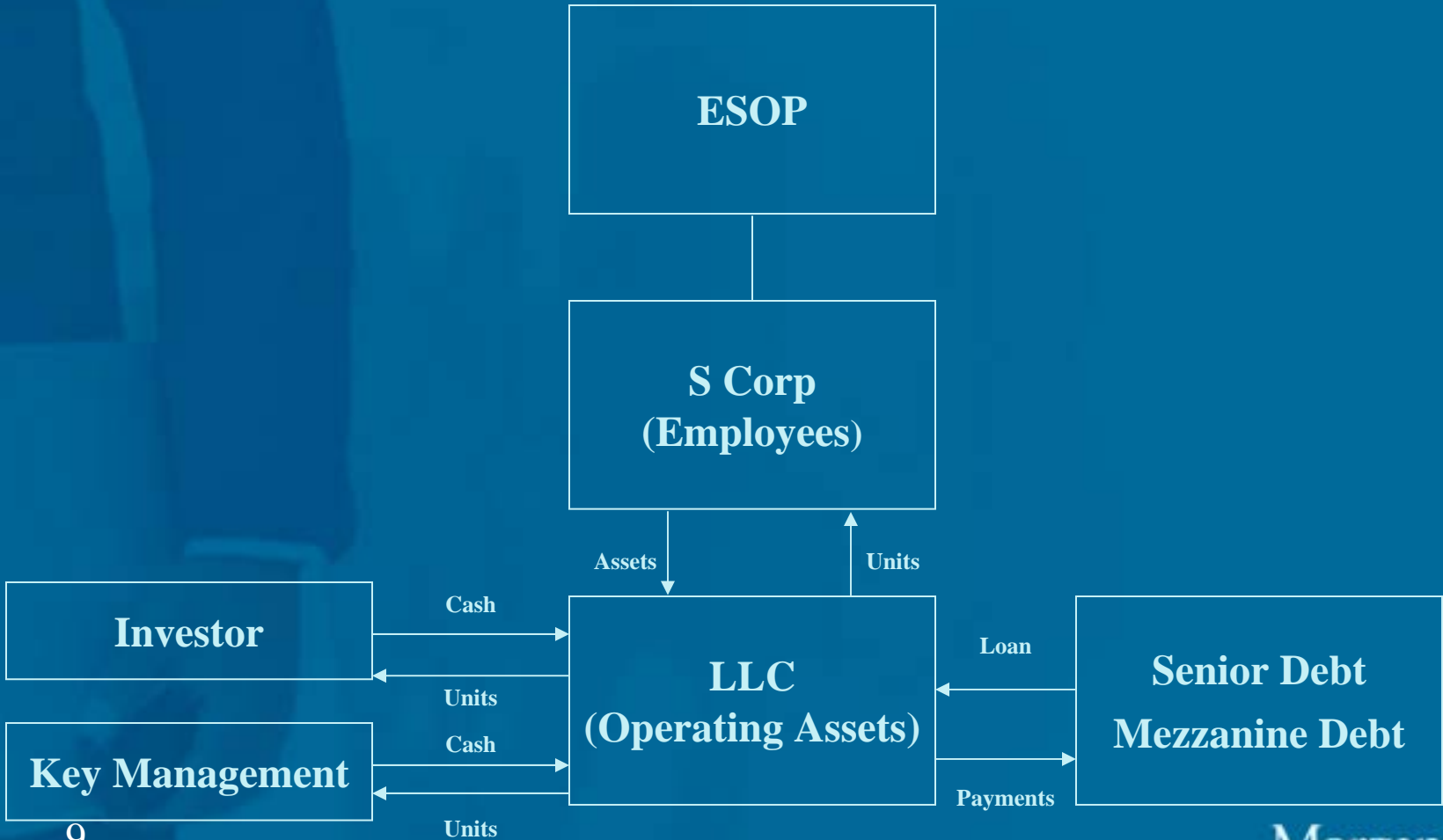


# MANAGEMENT BUYOUT S-CORPORATION



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# MINORITY EQUITY INVESTMENT



# WHEN TO CONSIDER AN ESOP

- Company Considering a Sale
- Owner Desiring Liquidity But Also to Remain in Control
- “Spin Off” or Sale to Management
- Roll-Up Platform

# MORGAN LEWIS ON ESOPs

- Morgan Lewis has the Largest ESOP Team in the Country
- Expertise, Experience, Reputation
- National Platform
- Interdisciplinary Team: Members in Philadelphia, Pittsburgh, Chicago, Dallas, Washington DC, New York and Los Angeles

# CONTACT INFORMATION

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