LUMENT.COM

ESOP Overview

WHAT IS AN ESOP?

An ESOP is a tax-qualified, defined contribution retirement plan invested in employer securities. The ESOP is regulated by the IRS and the Department of Labor under ERISA. The ESOP is not interested in running the operations of the business.

WHO IS THE TRUST?

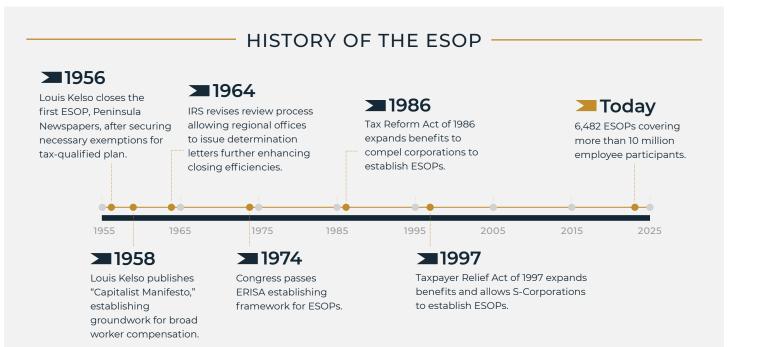
An ESOP is represented by a trust and operates as a passive buyer of equity at any interest (one percent to 100 percent). An ESOP trustee is almost always independent in nature but range in size. As a flexible buyer, the ESOP can accommodate long-term exit strategies for owners with differing time horizons.

HOW IS AN ESOP CREATED?

The ESOP transaction is typically structured as leveraged buyout. The company establishes the ESOP trust, which is represented by the trustee. The ESOP acquires an equity interest from the selling shareholders (typically, the majority is funded with seller financing).

WHO DOES THE ESOP BENEFIT?

Sellers: Sellers can elect to defer capital gains taxes and can limit future liability. The Company: Contributions are tax-deductible; a 100 percent S-Corp ESOP is federally tax-exempt. Employees: Employees become beneficial owners and receive benefits over time.



CONTACT US FOR A STRATEGIC ASSESSMENT:



LACA WONG-HAMMOND

Managing Director 917.392.9956 laca.wong-hammond@lument.com

Lument is a subsidiary of ORIX Corporation USA. Securities, Investment Banking and Advisory Services provided through Lument Securities, LLC, Member FINRA/SIPC. Investment advisory services are provided by Lument Investment Management, LLC, registered as an investment adviser with the U.S. Securities and Exchange Commission.