

HOW AN **EMPLOYEE STOCK OPTION PLAN (ESOP)** CAN BENEFIT YOU AND YOUR COMPANY



WHAT IS AN ESOP?

First authorized by federal legislation in 1974, ESOPs are better for business owners, their companies and their employees.

For business owners who are thinking of retirement, with or without a legacy plan, an ESOP can provide tangible benefits for you and your employees.

FOR SELLING SHAREHOLDERS AN ESOP IS A SUCCESSION AND LIQUIDITY STRATEGY

BENEFITS:

- Maintain control
- Continue to be active in the business
- Ability to sell stock over time in stages
- Participate in equity based plans outside of the ESOP
- Maintain culture and legacy
- Provides an alternative if there is no logical buyer

FOR MANAGEMENT AND EMPLOYEES AN ESOP IS A RETIREMENT PLAN

BENEFITS:

- Meaningful benefit plan at no cost
- Usually no operational restructuring
- Ability to roll distribution into an IRA
- Ownership pride
- Synthetic equity plan for key management

ESOP TAX ADVANTAGES

Selling Shareholders can defer or avoid payment of tax on capital gain realized upon a sale to a C corp ESOP

- Stock must have been held for at least 3 years
- ESOP will own at least 30% of outstanding stock
- Seller must reinvest the proceeds in qualified replacement property
- Seller may not participate in allocations of the 1042 stock in the ESOP
- Filing requirements

FOR THE COMPANY AN ESOP IS THE MOST TAX EFFICIENT CAPITAL STRUCTURE

BENEFITS:

- Deductibility of principal payments on ESOP loan
- Deductibility of dividends
- Maintain management team
- Less disruptive due diligence process
- Increased productivity

ARE YOU AN ESOP CANDIDATE?

FAVORABLE CHARACTERISTICS:

- Recurring cash flow and sufficient payroll
- Existing retirement plan contributions
- Debt capacity
- Paying significant federal taxes
- Shareholders willing to sell
- Shareholders have a low basis in their stock
- Management succession team in place
- Stable employee population
- Company has an ESOP culture



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It is critical to understand and follow best practices at every stage for transitioning ownership via an ESOP. Potential challenges can occur through increased provisions in incremental regulations from the Department of Labor and the Internal Revenue Service.

With careful advanced planning, business owners and their advisors can determine the best path for their companies and employees, including tax and retirement benefits, through an ESOP.



WHY TRIAD CAPITAL?

- Experienced in complete end-to-end team involvement and structuring pre- and post-ESOP
- Seasoned C Level management to assist management
- Board experience in both public and private companies
- Possible sources of capital to finance an ESOP transaction for the benefit of Seller and Employees in ESOP

THE TRIAD CAPITAL EXPERT TEAM

- C Level Operators
- Experienced Entrepreneurs
- Fully Licensed (FINRA 24, 62, 63, 79, 99)
- Experienced ESOP C Level and Board in Public and Private Companies
- Have Structured ESOP Transactions
- Highly Experienced in M&A Transactions
- Numerous Capital Raise Transactions completed, including ESOPs

Triad Capital, LLC is an investment banking and consulting firm headquartered in Sarasota, Florida with a European office in Denmark. The firm has conducted over 100 engagements in the USA and Europe led by its principal Clifford Wildes in Triad Capital LLC – and its predecessor Meridian Capital Inc – totaling hundreds of millions of dollars in funding and financing.

The firm has extensive domestic and international experience in investment banking services in mergers and acquisitions, general business advisory as well as experience facilitating the funding (\$1mm–\$30mm),

and financing (accounts receivable/AR, factoring, bridge, Mezz and senior secured), of both private and public companies in the technology, manufacturing, telecommunication, distribution, life science, financial services and energy sectors.

In addition to its investment banking services, Triad develops strategic exit strategies for business owners, and provides experienced C level executive services for short or long term engagements as well as Board level experience for private and public companies.



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