ROSENFARB
Forensic Accounting and Valuation Experts

Realizing the Benefits of ESOPs

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SES | ESOP STRATEGIES
A STEVENS & LEE/GRIFFIN COMPANY

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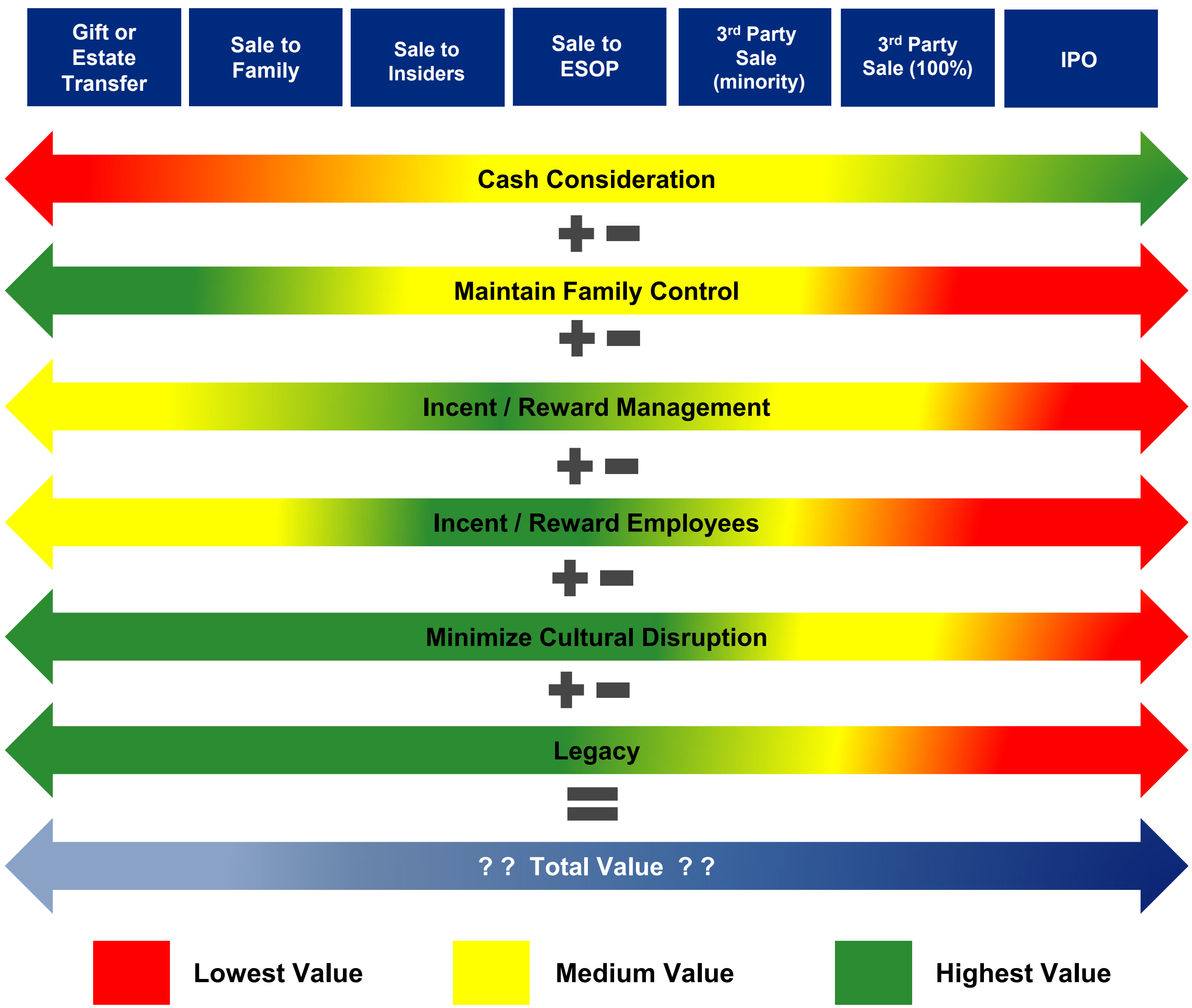
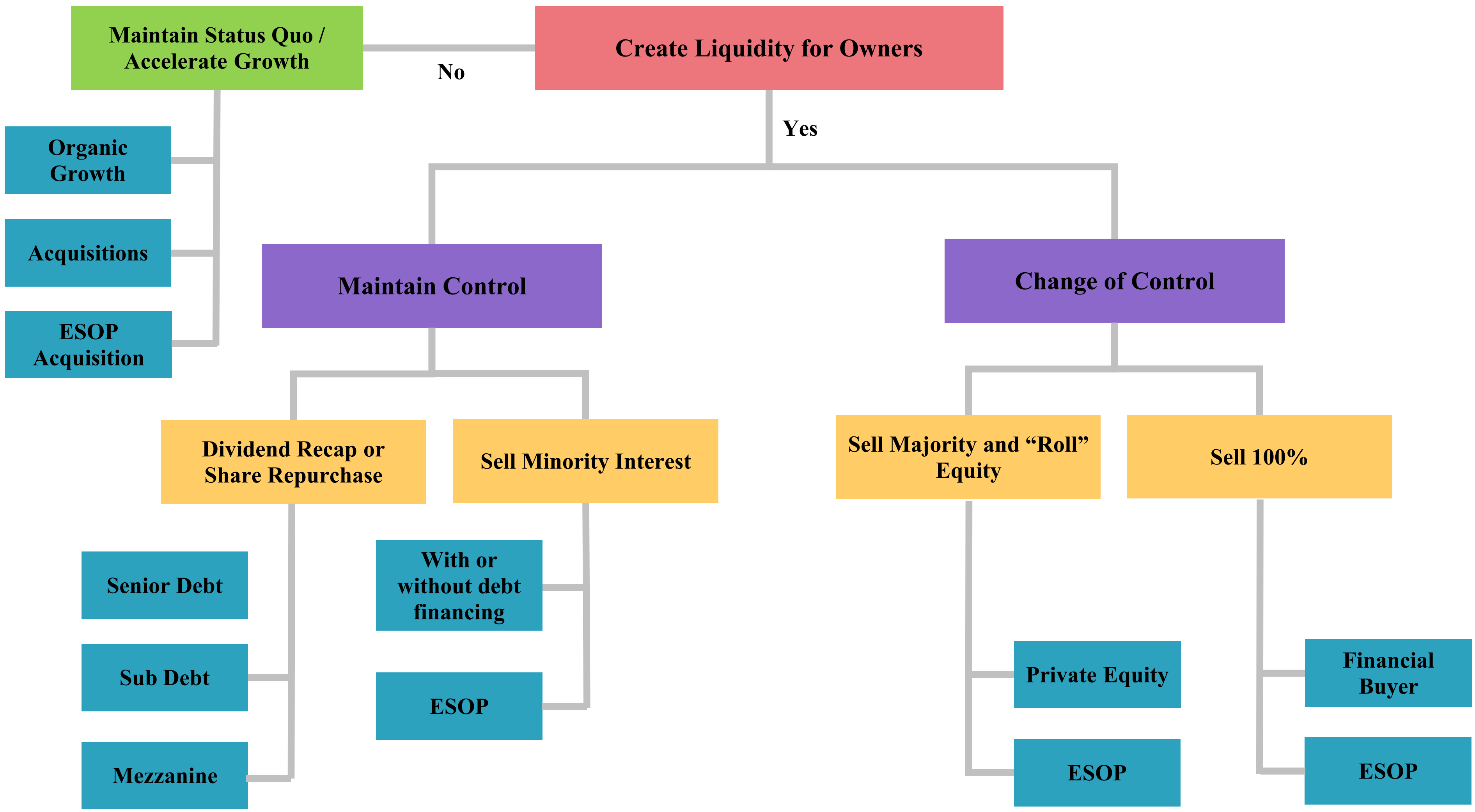


Potential Strategic Alternatives



II. Introduction – What is an ESOP?

Introduction – What is an ESOP?

- ESOP = "Employee Stock Ownership Plan"
- ESOP = tax-qualified retirement plan for employees that invests, by law, primarily in employer securities
  - Congress structured the tax Code to specifically encourage ESOPs
- Defined Contribution Plan – each participant has an account (like 401(k) plan)
- ESOPs have been around for a while
- The IRS and the DOL regulate them like 401(k) Plans, since they are tax-qualified retirement plans

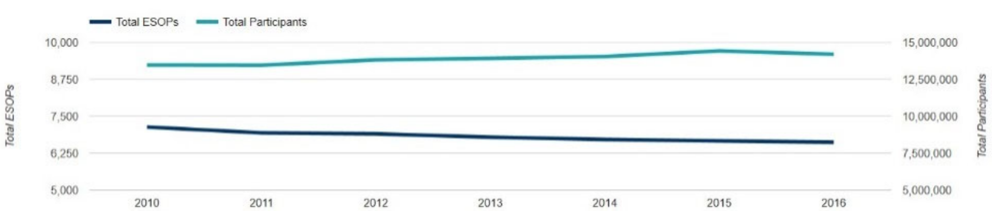
Why Now?

- ESOPs are certainly not for everyone, but we think they are under represented on a national basis with ESOPs only accounting for 0.88% of all companies with 20 or more employees
- Generational motivations (generalizations based on anecdotal evidence)
  - Retiring Boomer business owners will sell or bequeath $10 trillion worth of private business assets over the next two decades
  - The Boomers' attitude towards their children following in their footsteps and view of management and employees is different than prior generations'

How Is the ESOP Universe Changing Over Time?

The below chart and table show the change in total ESOPs and total participants over time from 2010 to 2016.

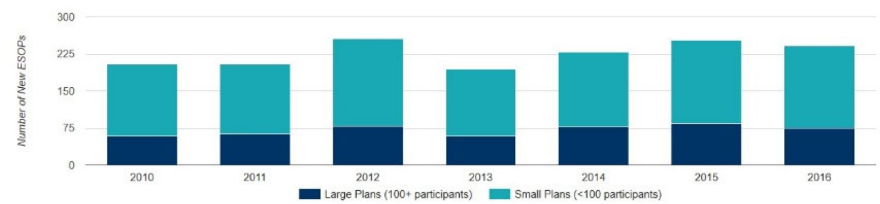
Figure 2: Count of ESOPs and Total Participants, 2010-2016



New ESOP Creation

Since 2010, an average of just under 230 new ESOPs have been created each year. The below chart shows new ESOP creation since 2010. Note that these numbers include all newly filing ESOPs, potentially including some newly established plans at companies that had already had an ESOP in place.

Figure 3: New ESOP Creation, 2010-2016



Source: National Center for Employee Ownership (https://www.nceo.org/articles/employee-ownership-by-the-numbers) September 2019.

What an ESOP is not

- **Myth** - Owner is “giving” the Company to the Employees
  - Only “giving” away the future appreciation (less interest) of the shares sold to the ESOP
  - ESOP Trustee cannot pay more than “adequate consideration,” which is fair market value of shares as determined by an independent appraiser
  - The legal standard of fair market value is the price at which an asset would change hands between a willing buyer and a willing seller when neither is under a compulsion to buy or sell and both parties are well informed
  - To the extent that there is a competitive sale process, ESOP will likely not be able to match the price. However, it is often close and may even exceed the after-tax proceeds received from a competitive process

What an ESOP is not (cont'd)

- **Myth** – Employees can examine the Company's books and will know how much money the owner and his/her family is making
  - Participants must receive statement showing value of their shares, but detailed financial information is not required to be disclosed
  - Some companies, as a matter of culture, choose to share some level of detailed financial information, but that decision is up to the Board of Directors

What an ESOP is not (cont'd)

- **Myth** – Owner will lose control of the Company
  - If owner maintains majority ownership, simply not true
  - Even if the ESOP owns a majority (or even 100%) of the Company, the owner usually still has effective control
    - In many cases, management remains the same following an ESOP transaction
    - ESOP Trustee's role is to vote for Board members and Board appoints management
- **Myth** – Significant Transaction Costs
  - The transaction costs are usually lower than selling to an outside party and are more than offset by tax savings

Introduction – What is an ESOP?

- **General types of ESOPs**
  - *Non-leveraged:* Deductible employer retirement plan contributions are made in cash, which is then used to purchase employer stock (can also be made directly in stock)
  - *Leveraged:* Deductible employer contributions are made in cash, which contributions are then used by the ESOP to repay a loan used to purchase employer stock
  - *Blended:* Deductible contributions are made in cash, which is held for a future purchase transaction; ESOP purchases employer stock using the accumulated cash for a portion of the purchase price and the proceeds of leveraged financing loan for the balance of the purchase price

Introduction – What is an ESOP? (cont'd)

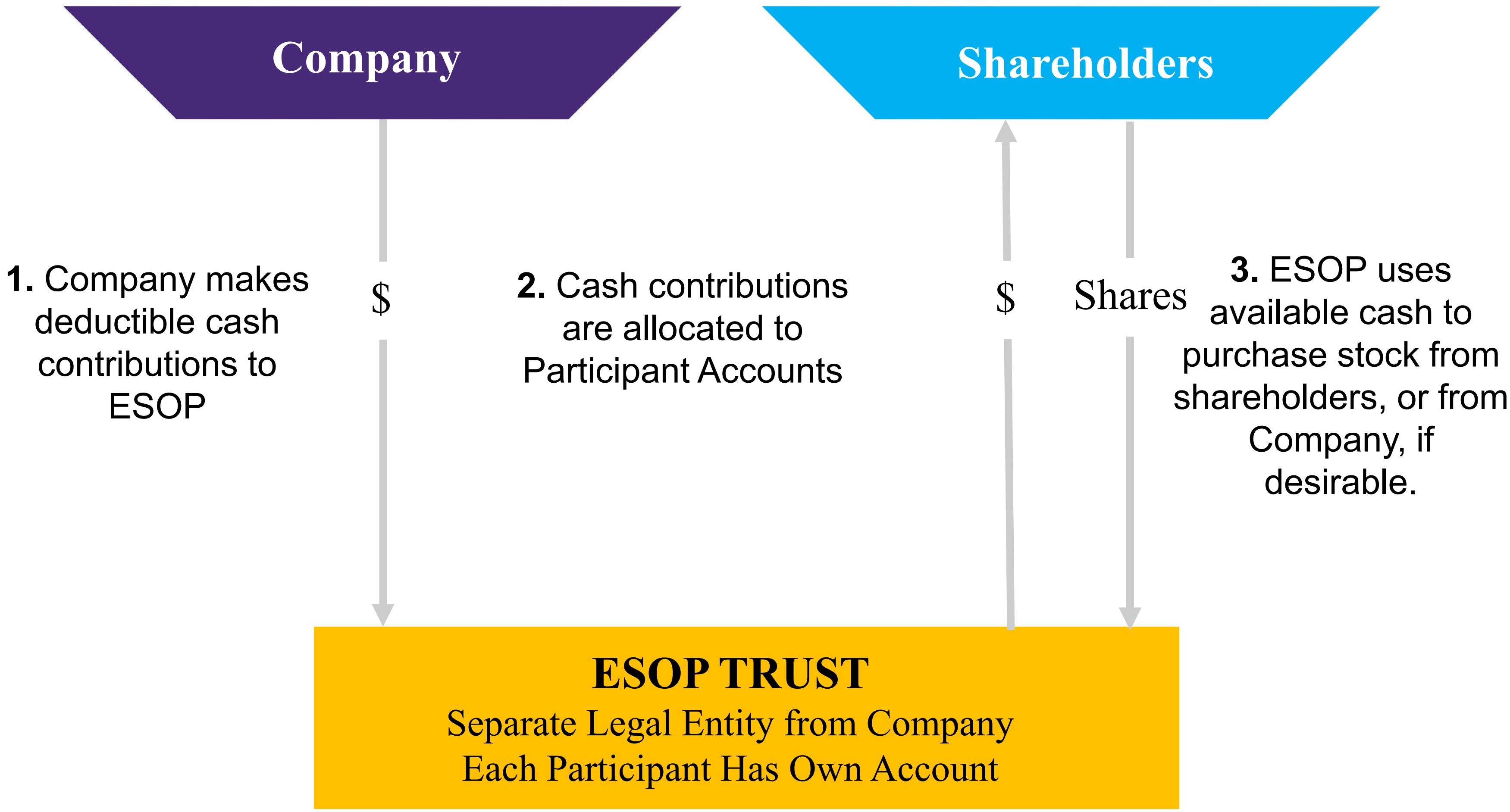
- **Instrument of Corporate Finance**
  - Shareholder's sale of stock can be tax-deferred
  - Creates a buyer for shares in a closely held corporation
  - Provides market support for micro-cap public companies who sponsor ESOPs which buy in the market
  - Shares end up in "friendly" hands
  - Company can essentially deduct principal (finance debt with pre-tax dollars) of a leveraged ESOP because ESOP contributions are tax-deductible
  - Company and shareholders can operate the business essentially free of federal income tax (and income tax free in many states) if S corporation is 100% owned by ESOP

Introduction – What is an ESOP? (cont'd)

- ESOPs are still in favor by both parties in Congress
- There are several pending pieces of legislation in both chambers that are supported by both parties:
  - H.R. 2258: The Promotion and Expansion of Private Employee Ownership Act
    - Republican cosponsors: 26
    - Democratic cosponsors: 26
  - S. 177: The Promotion and Expansion of Private Employee Ownership Act
    - Republican cosponsors: 17
    - Democratic cosponsors: 19
    - Independent cosponsors: 2

III. Mechanics of an ESOP

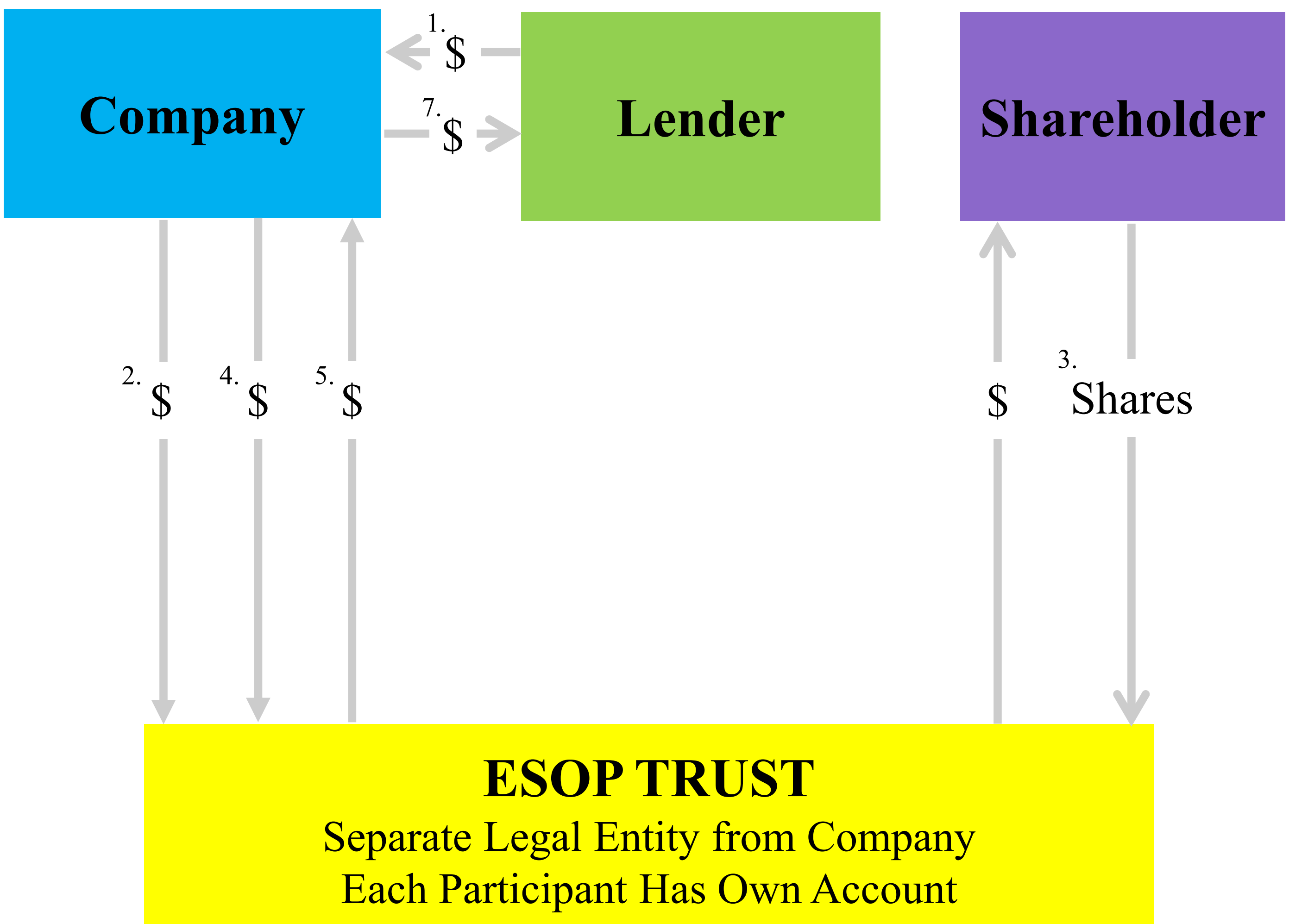
Mechanics of a Non-Leveraged ESOP



Mechanics of a Non-Leveraged ESOP (cont'd)

- Company makes deductible cash contribution to ESOP (could be made in stock)
- No incremental cost to Company if ESOP replaces company contribution to 401(k) or profit sharing plan
- ESOP uses cash contributions over time to buy shares thereby creating a buyer for shares
- Contributions are typically allocated proportionally based on eligible compensation

Mechanics of a Leveraged ESOP



1. Company borrows from Lender
2. ESOP borrows from Company
3. ESOP buys stock from shareholder (or newly issued shares)
4. Company makes fully deductible annual cash contribution to ESOP
5. ESOP makes loan payment to Company
6. Pro-rata shares are released from suspense account and allocated to Participant accounts
7. Company makes loan payment to Lender

Mechanics of a Leveraged ESOP (cont'd)

- **Leveraged ESOP**
  - Company loans directly to ESOP after borrowing from lender or guarantees loan from a lender directly to ESOP
  - ESOP uses loan proceeds to purchase large block of shares from the Company or from existing shareholders
  - Purchased shares are held in "Suspense Account" as collateral for ESOP loan
  - Loan is paid by deductible Company contributions (cash neutral)
  - With each loan payment, a tranche of shares are released from the suspense account and allocated to participant accounts
  - Allocation to participants is typically proportional based on eligible compensation

Transaction Process and Timeframe

Phase I - 60 days		Phase II - 30 days	Phase III - 45 days	Phase IV - 45 days
Understand Objectives	Transaction Analysis	Transaction Kickoff	Negotiation & Debt Raise	Complete the Transaction

Phase I

- Meetings with shareholders and other relevant stakeholders to understand goals
- Extensive Company and industry diligence
- Draft detailed feasibility study, including valuation, debt capacity and financing structures
- Model various ESOP outcomes

Phase II

- RFP process to engage Trustee team
- Develop "board-level" presentation for Trustee kickoff meeting
- Prepare proposed "term sheet" for negotiation with Trustee
- Begin ESOP design process
- Prepare confidential financing memorandum and start debt raise process

Phase III

- Run competitive debt raise process
- Management meetings with lender finalists
- Negotiate the key transaction terms with Trustee
- Assist in ongoing financial and legal due diligence for lenders and Trustee

Phase IV

- Finalize negotiation of transaction and financing documents
- Finalize ESOP plan and operational design and implementation
- Closing documentation
- IRS Determination letter (Post-Closing)

THROUGHOUT THE PROCESS, SES MINIMIZES EXECUTION RISK BY KEEPING ALL PARTIES ON A TIGHT, BUT REASONABLE, TIME FRAME AND WITHIN BUDGET.

Initial Engagement — 180 days — Closing

Pennoni Associates: A Thriving Workplace Culture With 100 Percent Employee Ownership

Company Overview

Headquartered in Philadelphia, PA, Pennoni is a multidisciplinary consulting engineering firm that serves clients worldwide from 36 U.S. offices. Priding itself on honesty, integrity and service, the firm was founded more than five decades ago and employs 1,200+ employees. In 1994, the company established an employee stock ownership plan (ESOP) to transfer ownership from its founder, C.R. "Chuck" Pennoni, to the employees.

Situation

A long-time client of SES ESOP Strategies, Pennoni was prepared for a final stage ESOP transaction. At the time of the final transaction, the ESOP's ownership share had increased to 81 percent. In addition, Pennoni would elect to be treated as an S-corporation for federal income tax purposes.

Pennoni Associates: A Thriving Workplace Culture With 100 Percent Employee Ownership (cont'd)

Solution

Working in tandem with the firm's in-house counsels, attorneys from SES ESOP Strategies' affiliated law firm negotiated the term sheet for Pennoni's transaction and assisted in the diligence process prior to the transaction. The transaction was structured as a redemption and stock purchase, with certain selling shareholders electing 1042 treatment for tax purposes and others choosing a stock redemption in the form of promissory notes.

Now a 100-percent ESOP-owned S Corporation, Pennoni and its sole shareholder, its ESOP, enjoy the benefits of flow through taxation to a tax-exempt entity.

"Maintaining our culture of Pennoni, which is defined by honesty, integrity and service, was imperative as we worked through this transition," said Mark Celoni, PE, Regional Vice President of Pennoni's Greater Philadelphia Region. "We are grateful for the help SES ESOP Strategies has provided over the years and in this final ESOP transaction and we look forward to continued success as a 100-percent ESOP-owned company."

Godshall's Quality Meats, Inc. Creates Employee-Owners through a Sale of Shares to an ESOP

Company Overview

Godshall's Quality Meats, Inc. ("Godshall's"), headquartered in Telford, PA, has been manufacturing high end meat and poultry products since 1945 including natural/organic products. Now in its third generation of leadership, Godshall's remains dedicated to supplying premium meat specialty items to their loyal customers. Godshall's state-of-the-art facilities, a model of cleanliness and quality, still reside on the farm site of the Godshall family. Its renowned Turkey Bacon, Beef Bacon and meat snack line can be found on store shelves throughout the United States.

Situation

As a third generation family owned business, the owners were seeking a mechanism to:

- Tax-efficiently unlock liquidity in a highly successful business;
- Maintain ownership and control; and
- Reward employees for helping to build Godshall's into what it is today

Solution

SES professionals were engaged by Godshall's to determine whether selling a minority ownership stake to a newly established employee stock ownership plan (ESOP) would accomplish the goals the owners set out to achieve. A feasibility analysis showed that not only could the owners achieve an extremely tax-efficient liquidity event, but that the tax savings from the annual ESOP contribution and the cash flow savings from funds that were previously going to pay taxes went a long way toward paying off the debt utilized for the liquidity event. After reviewing the feasibility analysis, the company ultimately decided that an ESOP would be the right fit and engaged our team to implement the ESOP.

Godshall's Quality Meats, Inc. Creates Employee-Owners through a Sale of Shares to an ESOP (cont'd)

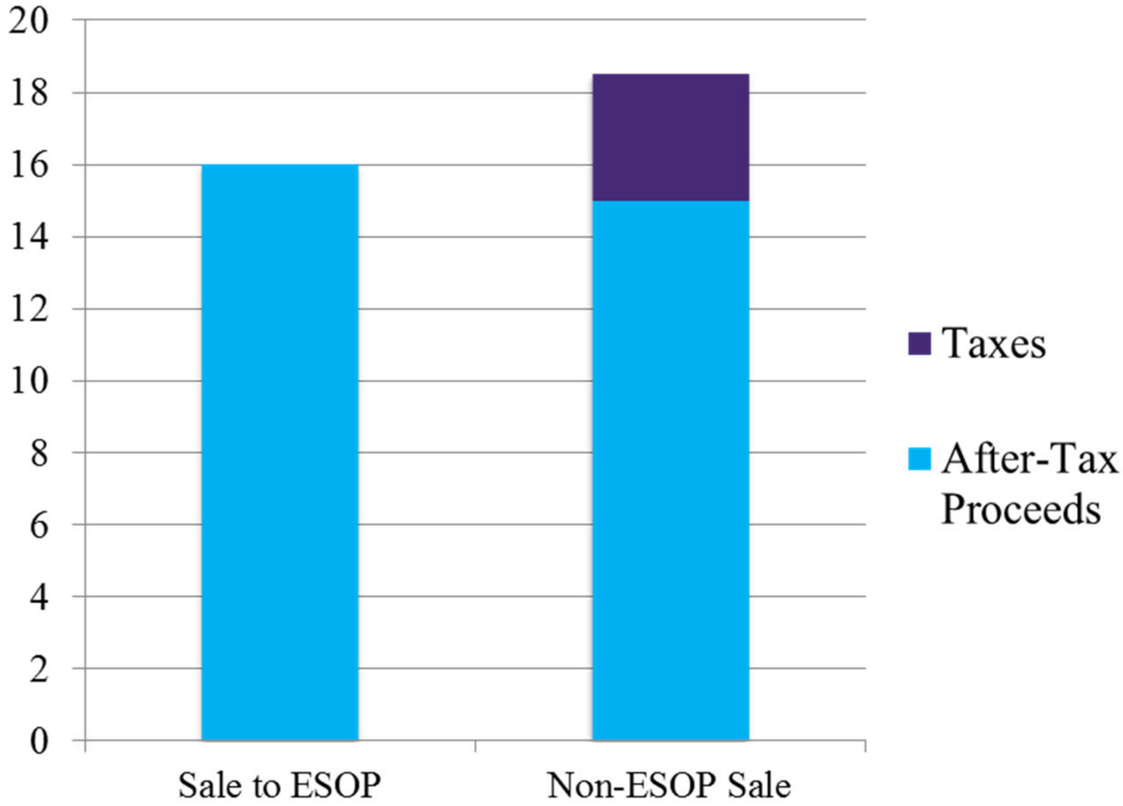
As part of the engagement:

- Raised the debt financings with:
  - a higher borrowing base
  - a lower interest rate
  - removal of mortgages on related party debt
  - no personal guarantees
  - elimination of prepayment penalties
  - better overall terms and conditions
- Helped to create the transaction structure that allowed for a tax-free liquidity event; and
- Negotiated with the ESOP Trustee on the sale of a minority ownership stake in the company to the ESOP

IV. Some Benefits and Risks

Benefits and Risks to Selling Shareholder – 1042 Case Study

- 1042 Transaction: Mechanism for seller to defer capital gain from sale of stock



	Sale to ESOP	Non-ESOP Sale
Sale Price	$16.0MM	$18.5MM
Basis	$4.0MM	$4.0MM
Gain	$12.0MM	$14.5MM
Taxes*	--	$3.5MM
After-Tax Proceeds	$16.0MM	$15.0MM
*Assumes 20% cap gains plus 3.8% Medicare surtax and holding replacement property until death		

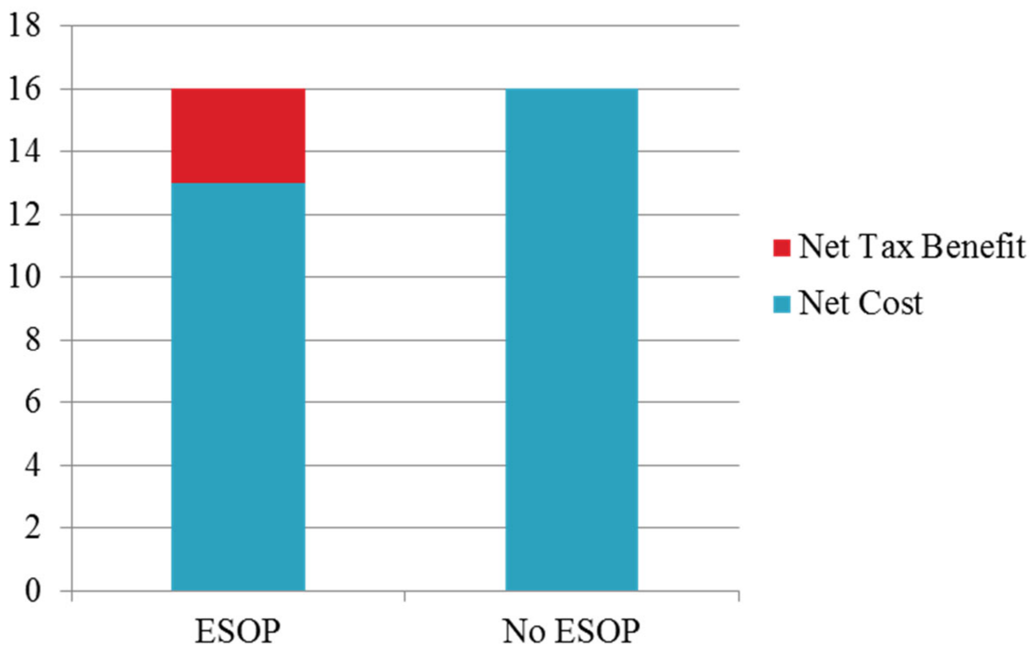
- Step-up Basis on Death =

Benefits and Risks to Selling Shareholder

- Potential tax-free sale of shares (Code Section 1042 Transaction)
  - Saves 15%-20% capital gains plus 3.8% Medicare Surtax
  - Step up basis on death
  - Must be C corporation (so S corporation shareholders must revoke S election if currently S corporation)
  - Must sell at least 30% of the value of outstanding shares
  - Must buy “qualified replacement property” (QRP), which can be structured so that owner can invest in publicly traded debt or equity securities
- Other benefits
  - Creates market for shares – mechanism to create shareholder liquidity
  - If selling shareholder is still majority owner (50% plus 1 share) post-transaction, can still maintain control
  - Can be first step in generating initial liquidity for future possible sale
- Typically has some seller financing in 100% deal
- Perception that money is being left on the table

Tax Benefits to the Company – Subchapter C Principal Deduction Case Study

- Company can effectively deduct principal payments (ESOP expense)



	ESOP	No ESOP
Principal Borrowed	$16.0MM	$16.0MM
PV of Deduction for Principal Payments (over 10 years)*	- $ 3.5MM	--
PV of Administration Costs (over 10 years)	+$ 0.5MM	--
Effective Cost	$13.0MM	$16.0MM

* Assumes 29% effective federal and state tax rate

- ESOP expenses deduction =

Finance acquisition or expansion = same benefit

Note: Included in tax reform were limitations on the ability to deduct interest expense and first year expensing of some capital expenditures, etc. Although these changes are significant and important, from a relative basis most of these changes impact ESOPs in the same way as non-ESOP owned companies. ESOP owned companies may be able to effectively deduct more interest under the new rules than non-ESOP owned companies, but to be conservative, we did not include that benefit in this comparative analysis.

Benefits and Risks to the Company – S Tax Shield Case Study (cont'd)

- In addition to effectively deducting principal payments, a Subchapter S Corporation can also use tax distributions to make debt payments. For example
  - For a company with $13.3 million of EBITDA and valued at $66.6 million, the owners could sell 30% of the Company to the ESOP for about $16 million (after minority and lack of liquidity discounts)

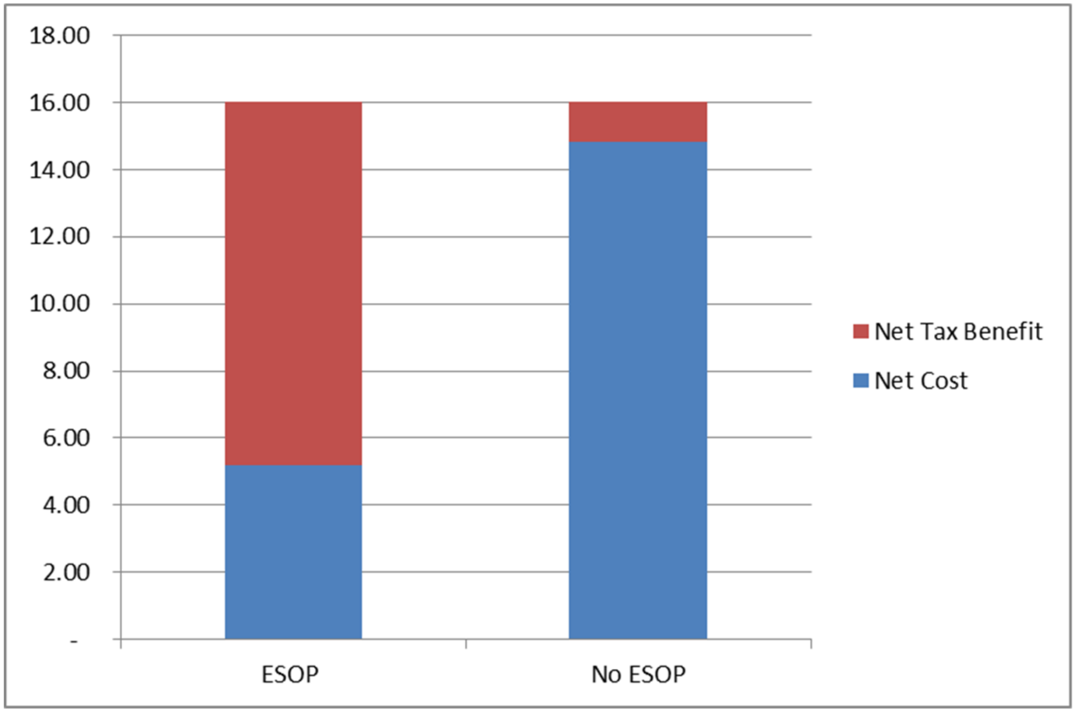
Benefits and Risks to the Company – S Tax Shield Case Study (cont'd)

- If taxable income is also $13.3 million and the Company makes an annual tax distribution of $4.3 million
  - $1.3 million of that distribution is paid to the ESOP which can use that cash to fund debt payments
  - If the debt is being paid over 10 years, the total debt payment is about $2.1 million per year (at 5% interest)
  - Therefore, the company only needs to make an additional $800,000 per year payment to service the debt
  - Because the company gets a tax deduction for the $800,000, that creates another $253,000 in tax benefits
  - Therefore, about $1.55 million of the total annual debt service of $2.1 million is being paid for by tax benefits
  - The offset is that in a Dividend Recap, the company is also allowed a deduction for interest, which is worth $256,000 in the first year and goes down as the principal gets paid down

This is one possible scenario where zero growth is modeled and various other assumptions were utilized. Every situation is fact specific and each potential candidate should evaluate their particular situation by determining the feasibility of an ESOP based on the factors specific to their situation.

Benefits and Risks to the Company – S Tax Shield Case Study (cont'd)

- When structured properly, the owner can largely use tax savings to pay off the debt used to create the liquidity event
- This models a 30% sale transaction with annual tax distributions of $4.3 million on taxable income of $13.3 million



This is one possible scenario where zero growth is modeled and various other assumptions were utilized. Every situation is fact specific and each potential candidate should evaluate their particular situation by determining the feasibility of an ESOP based on the factors specific to their situation.

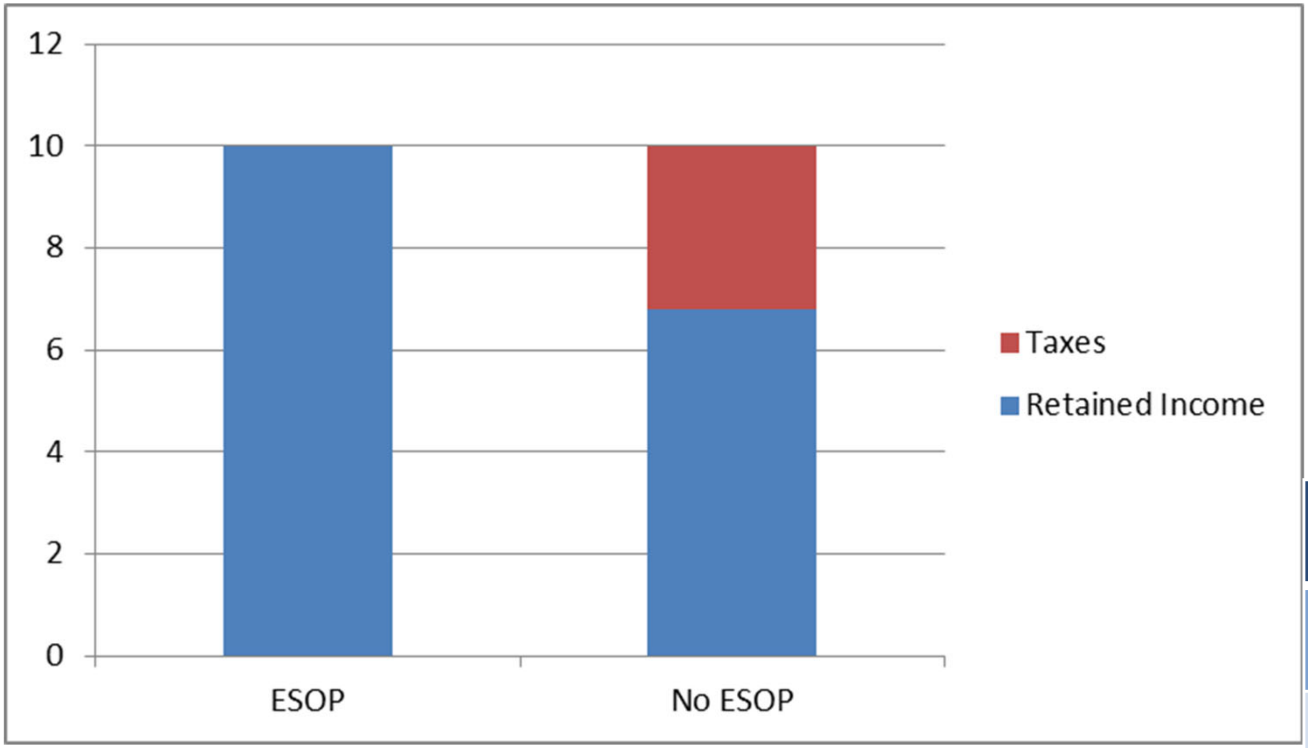
	ESOP	No ESOP
Principal Borrowed	$16.0MM	$16.0MM
PV of ESOP Tax Benefits (over 10 years)	$11.3MM	--
PV of ESOP Costs (over 10 years)	($0.5MM)	--
PV of Interest Deduction	--	$1.2MM
Effective Cost	$4.2MM	$14.8MM

* Assumes 32% effective federal and state tax rate

Note: Included in tax reform were limitations on the ability to deduct interest expense and first year expensing of some capital expenditures, etc. Although these changes are significant and important, from a relative basis most of these changes impact ESOPs in the same way as non-ESOP owned companies. ESOP owned companies may be able to effectively deduct more interest under the new rules than non-ESOP owned companies, but to be conservative, we did not include that benefit in this comparative analysis.

Benefits and Risks to the Company – S Corp Case Study

- 100% Tax Free Operation: S Corp owned solely by ESOP



	ESOP	No ESOP
Net Income	$10.0MM	$10.0MM
Tax Liability*	--	$3.2MM
Retained Income	$10.0MM	$6.8MM

*Assumes 32% effective federal and state tax

- S Corp owned solely by ESOP = 

Commonwealth Fire Protection Company: Maintaining company culture and fulfilling the legacy of prior owners

Company Overview

Located in Leola, PA, Commonwealth Fire Protection Company (CFPC) has provided fire protection services to commercial, industrial, institutional and residential customers for more than four decades. CFPC holds licenses in four states and more than 50 jurisdictions, and the Company has a wide customer base locally and regionally. President Daniel Laird credits the Company's 93 employees, many who have been with the CFPC for many years, for the Company's success, particularly when it comes to developing long-term customer relationships.

Situation

Laird's situation was unique as he was previously one of three owners of CFPC. The two other owners passed away unexpectedly, leaving him the sole owner. He sought a way to transition ownership while fulfilling the legacy of his former partners, and an ESOP allowed him to do that as well as rewarding the employees and preserving the company's culture.

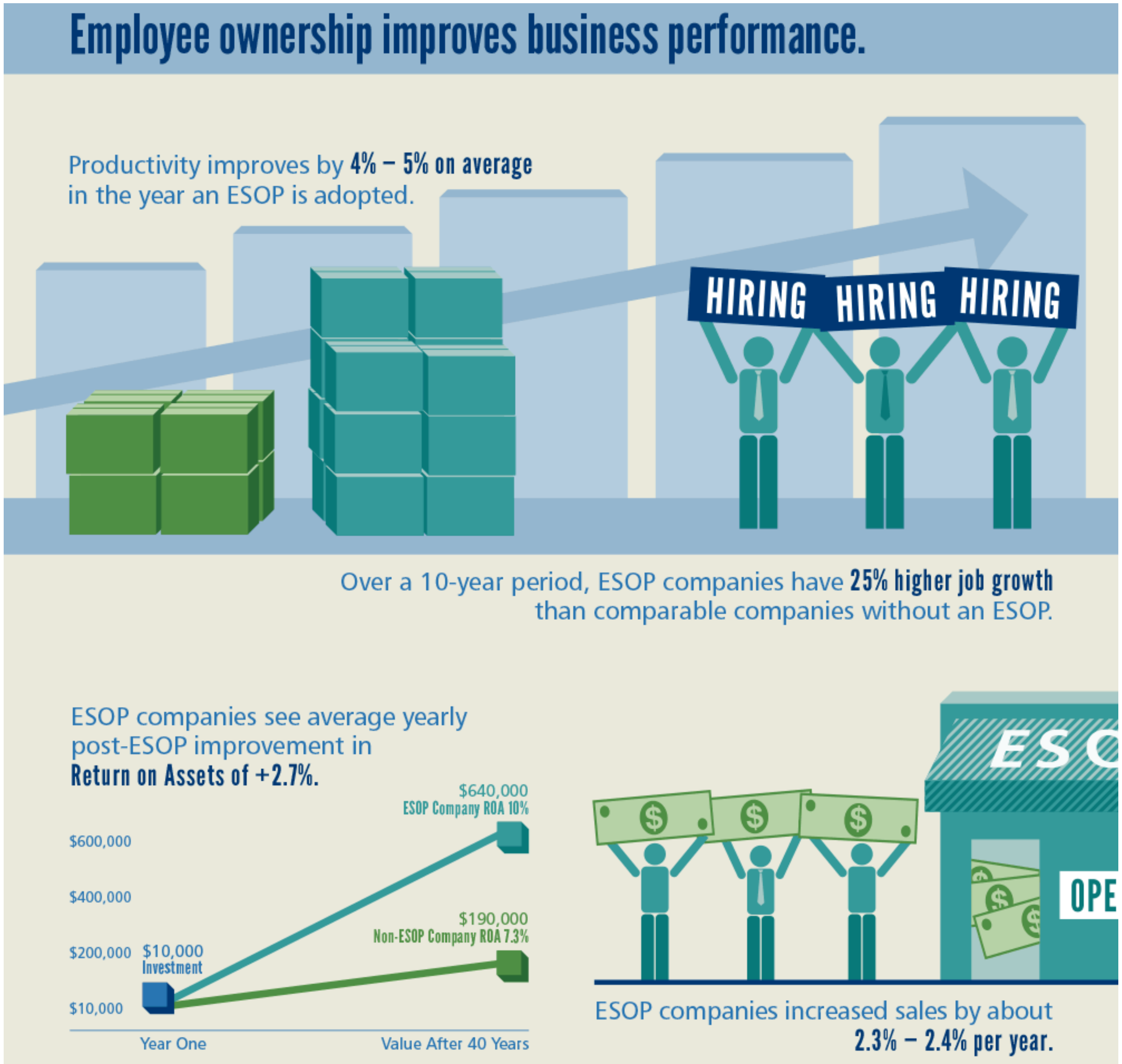
Commonwealth Fire Protection Company: Maintaining company culture and fulfilling the legacy of prior owners (cont'd)

Solution

SES ESOP Strategies' completed a feasibility study and assisted CFPC, an S Corporation, in negotiating an ESOP transaction with the ESOP Trustee. As part of this process, SES helped structure the transaction and gather and organize financial due diligence information. Attorneys from SES ESOP Strategies' affiliated law firm, Stevens & Lee, negotiated the transaction and financing documents. At the close of the transaction on Dec. 31, 2019, CFPC became 100 percent ESOP-owned and retained its status as an S Corporation, enjoying the benefits of operating as a tax-exempt business enterprise due to the tax-exempt status of the ESOP as the sole shareholder of the company.

"Our employees are the backbone of our success and we are so happy to be able to give them ownership in what they've helped build," said Daniel Laird, President of CFPC. "This solution aligns well with our values as a company and we're pleased with the work SES ESOP Strategies did to assist us in this transition."

Benefits and Risks to the Company



Infographic by National Center for Employee Ownership (NCEO) from [The Economic Power of Employee Ownership]

Benefits and Risks to the Company (cont'd)

- **Risks and Pitfalls**
  - Annual valuation (for private companies)
  - Must plan for and fund future repurchases of stock from employees, which depending on demographics can be significant
  - Accounting is complex and can be counterintuitive
    - Can be mismatch between compensation expense and contribution deduction
    - Shares held in suspense create contra-equity account and are not considered outstanding for EPS purposes
  - Unique fiduciary issues
    - Cannot pay more than "adequate consideration"
    - Trustee is responsible for most fiduciary decisions
  - Regulated environment – DOL and IRS oversight
  - Must properly size ESOP debt in consideration of deduction and compensation limits

Benefits and Risks to the Company (cont'd)

- **Risks and Pitfalls (cont'd)**
  - Voting – pass-through to participants
    - If private, Participants can direct trustee on voting for matters involving merger, consolidation, recapitalization, reclassification, liquidation, dissolution, or a sale of substantially all assets. No right to vote in any other matters
    - If public, participants can direct trustee on all matters
  - Diversification – participant can elect to diversify
    - If private, after age 55 and 10 years of service
    - If public, after 3 years of service
  - Impediment to future sales?
    - More difficult to negotiate due to indemnification, escrow and clawback issues
    - Deals can still be done (they are all the time) but these issues are heavily negotiated and can affect price

Benefits and Risks to Employees

- Retirement Benefit is equal to value of company stock in their account
- Additional Retirement Benefit in face of uncertain Social Security
  - Survey respondents (between 25 and 59) expect to receive **only about 60 percent of the Social Security benefits** they are supposed to get under current law
  - Source: *The Welfare Cost of Perceived Policy Uncertainty: Evidence from Social Security.* By Erzo F. P. Luttmer and Andrew A. Samwick. August 26, 2015
- ESOP account is tax-deferred
- No employee tax event until distribution
  - Possibly capital gains on portion of distribution (instead of ordinary income)
  - Can rollover distribution to further defer tax event
- ESOP participants have the mindset of an "owner" – incentivized to perform
- Risk: less retirement investment diversification
- Risk: Company underperforms the market

Benefits and Risks to Employees (cont'd)

Infographic by National Center for Employee Ownership (NCEO) from [The Economic Power of Employee Ownership]

V. Ideal ESOP Candidates

Ideal ESOP Candidates

- Four Key Considerations
  - Minimum Employees: 20-25 (maybe smaller with C Corp)
  - Profitable
  - Trusting Environment
  - Transaction of $2MM or more
  - Since multiples generally trend higher as EBITDA increases, the more cash flow a company produces the larger the transaction value, resulting in even more tax savings

	ESOP	No ESOP
Principal Borrowed	$1.6MM	$1.6MM
Upfront Costs	- $ 150k	-$ 15k
PV of Tax Deduction	$ 321k	--
PV of ESOP Costs	- $ 184k	--
Net PV to Shareholders	$1.587MM	$1.585MM

Ideal ESOP Candidates – Ideal Opportunities

- Closely held businesses with no formal exit and/or transition strategy
- Middle market companies
- Non-sale situations – companies looking to raise capital for expansion (same tax advantage) or acquisition
- Partial sale situations – Shareholders want to sell a minority interest into friendly hands

VI. Overview of SES ESOP Strategies

SES ESOP Strategies

- SES ESOP Strategies and its affiliates provide a complete range of services to companies considering ESOPs and for established ESOPs
- SES balances the needs of owners, managers, the company and its employees to ensure long term corporate sustainability with substantial employee ownership
- SES delivers a full range of ESOP services through a multidisciplinary approach that integrates legal, finance, investment, banking, tax, financial accounting and ERISA expertise
- National ESOP practice with professionals in Pennsylvania, Florida, New York, Ohio, Texas, New Jersey, Massachusetts and Colorado
- SES ESOP Strategies is a boutique practice within Stevens & Lee/Griffin, a multidisciplinary professional services platform

Team Members

Edward C. Renenger
President and CEO
SES ESOP Strategies

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EXPERIENCE

- Concentrates his practice in helping companies navigate the complexities of employee stock ownership plans (ESOPs) and advises business owners on how to sell their companies to employees through an ESOP
- Also advises on other ESOP-related transactions, including situations where ESOP-owned companies sell to outside buyers when they have determined that exiting the ESOP structure is appropriate for shareholders.
- Works with the entire range of ESOP-owned companies, including S Corporations, C Corporations, private companies, publicly traded companies, companies that are wholly owned by the ESOP trust and companies in which the ESOP is a minority owner
- Counsels ESOP trustees on their fiduciary obligations under ERISA in ESOP-related transactions and when unique situations arise in an already established ESOP
- Also has particular experience working with ESOPs for financial institutions, such as community banks looking to an ESOP as a source of liquidity for founding shareholders and insurance companies who establish an ESOP in conjunction with a demutualization
- Education: Georgetown University Law Center, J.D., *magna cum laude*, Order of the Coif, and The Catholic University of America, B.A., First in Class, *summa cum laude*, Phi Beta Kappa

Team Members

James G. Steiker
Chairman
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EXPERIENCE

- A corporate, pension and tax attorney and financial advisor with more than 30 years of experience in ESOPs and other employee ownership matters
- Focuses his practice primarily on ESOP design, transactions and compliance in entrepreneurial companies
- Currently serves on the ESOP Association Board of Governors and is a past Chair of the ESOP Association's Advisory Committee on Finance
- He is also a past Trustee of the Employee Ownership Foundation and a former member of the Board of Directors of the National Center for Employee Ownership
- Jim serves as a Director of nine ESOP companies
- Education: New York University School of Law, J.D., and Wesleyan University, B.A.

Team Members

Mark B. Russell
Head, Finance Group
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EXPERIENCE

- Head of the Finance Group at Griffin Financial Group, an affiliated company of SES, where he works with investment banking clients and their principals providing merger and acquisition advisory services; and private placements of debt and capital
- Works extensively with business owners, evaluating their business and personal situations and assisting them in preparing for succession of or exit from their businesses
  - To accomplish this, he takes business owners through a process designed to help them identify their goals and objectives, then performs an exhaustive analysis of various alternatives (including management buyouts, ESOPs, recapitalizations, and minority or majority sales of the business) to ensure business owners have all of the information necessary to decide the best path to achieve their goals
  - Finally, he assists business owners in optimizing the strategies designed to achieve the desired outcome
- As a non-practicing CPA and a lawyer, Mark's background provides an important link between clients and their accountants and lawyers to creatively address accounting, tax and financial planning issues
- Education: Georgetown University Law Center, LL.M. in Taxation, with distinction; Texas Tech University School of Business, MBA; Texas Tech University School of Law, J.D.; and Texas Christian University, BBA in Accounting

Team Members

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EXPERIENCE

- Has extensive experience in transactions involving employee stock ownership plans (ESOPs). He has represented ESOP plan sponsors, shareholders selling to an ESOP, and ESOP trustees in transactions establishing and amending ESOPs, increasing ESOPs' share ownership, using ESOPs to acquire other businesses, and terminating and buying out ESOPs
- Experienced in designing and implementing other forms of equity compensation plans such as stock appreciation rights, phantom stock plans and stock option plans
- Frequently brought into transactions as special ESOP counsel by clients' corporate counsel. He has also served as an expert in litigation related to ESOPs in state and federal court.
- Prior to focusing his practice on ESOPs, Steve practiced business and transactional law for more than 20 years
- Received an AV® Preeminent™ rating from LexisNexis Martindale-Hubbell, which is the highest rating for legal ability and general ethics
- Education: Cornell Law School, J.D., and Cornell University, B.S.

Team Members

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EXPERIENCE

- Advises companies, owners and other stakeholders on M&A and private capital raise transactions, with a particular focus on ESOP ownership transactions
- Brings a breadth of experience as a former board member, business leader, investor and advisor for a wide range of ESOP-owned businesses
- Former Chairman and CEO of Alliance Holdings, Inc., an ESOP-owned holding company, where he delivered positive economic results, implemented a new corporate governance structure and drove growth through acquisitions
- After being promoted to Chairman and CEO of Alliance, Ken successfully led the efforts to protect ESOP participants and ensure the viability of Alliance by settling outstanding ERISA litigation against the company and recovering substantial damages from multiple involved parties
- Founding member of the ESOP corporate finance group in the investment banking group of Houlihan Lokey, where he advised on some of the largest and most innovative employee buyouts in history
- Education: Duke University, the Fuqua School of Business, MBA, and the University of Michigan, B.S., Aerospace Engineering

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EXPERIENCE

- Advises corporations, shareholders, directors and ESOP trustees on a wide variety of ESOP-related issues, both transactional and non-transactional
  - Transactional experience includes representing corporations, shareholders, trustees and lenders in ESOP transactions, including stock purchases, leveraged buyouts, mergers, acquisitions and corporate reorganizations
  - Non-transactional ESOP experience includes advising ESOP companies with regard to corporate governance, succession planning, ESOP plan design and compliance, and ERISA fiduciary issues. In addition, he has represented clients in IRS and U.S. Department of Labor plan audits, as well as in the various corrections and voluntary compliance programs offered through these agencies
- Executive Committee Member of The ESOP Association New York/New Jersey Chapter
- Education: State University of New York at Buffalo Law School, J.D., *cum laude* and State University of New York at Albany, B.A., Economics, *summa cum laude*

Team Members

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EXPERIENCE

- Counseled businesses and their owners on how to incorporate employee ownership into their business succession plans for more than 25 years
- Represents closely held businesses and their selling shareholders, ESOP sponsors and ESOP fiduciaries in transactions involving employer securities
- Works with companies and their owners in the planning, development, implementation and ongoing maintenance of ESOPs
- Helps clients with IRS and Department of Labor examinations and audits, and in the resolution of plan defects, including the submission of plan corrections under both the IRS and Department of Labor correction programs
- Frequent speaker on ESOP-related topics and a member of the Legislative and Regulatory Committee of The ESOP Association
- Education: Case Western Reserve University, J.D. and Case Western Reserve University, B.S., Accounting

Additional Team Members

Susan Halevi
Of Counsel

Susan represents companies and trustees in ESOP acquisitions, transactions and administration and provides advice to cooperative businesses. She is a frequent speaker on ESOP-related topics. She holds a J.D., with honors, from Duke University School of Law, an M.A. from Tufts University and an A.B. from Vassar College.

Theresa J. Borzelli
Of Counsel

Terrie has practiced in the area of employee benefits and the tax, labor and employment aspects of employee benefits, including executive compensation, for more than 20 years. She also has significant experience in state and federal tax and corporate laws that govern tax-exempt organizations.

She has a J.D. from Rutgers University School of Law – Newark, and an MBA and B.S., *magna cum laude*, from Rutgers University.

Sean-Tamba Matthew
Associate

Sean advises companies, business owners, boards of directors and ESOP trustees on transactional, corporate governance and formation matters related to the design and implementation of ESOPs. Sean's work includes drafting and negotiating agreements and other documents for stock purchases, leveraged buyouts, mergers, reorganizations and corporate governance and formation matters.

He has a J.D. from Temple University Beasley School of Law and a B.A. from the University of Pennsylvania.

Martin T. Drake
Associate

Martin advises and represents companies and ESOP trustees on transactional and formation issues regarding the creation and maintenance of ESOPs.

He has a J.D., *cum laude,* from Harvard University and a B.A. from the University of Delaware.

Additional Team Members

Michael A. Golden

Michael has a wide range of employee stock ownership plan (ESOP) financing and banking experience, developing employee-owned private companies through structuring and securing financing for middle market corporate transactions.

He has an MBA from Yale School of Management, an M.Sc. from London School of Economics and a B.S. in Political Economy from Wesleyan University.

Vincent J. Capone

Vince is an Associate with SES ESOP Strategies. Prior to joining SES, he was a financial analyst at Chubb Limited and The Boeing Company.

He has an MBA in Finance and Strategic Management from Villanova University and a B.S. in Finance, *cum laude*, from Rowan University.

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