

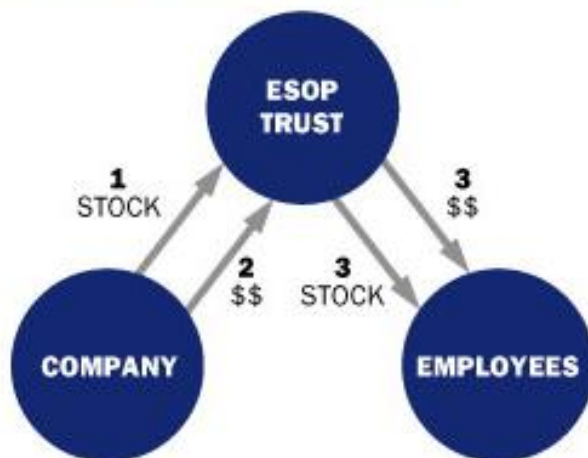
What Is an ESOP?

An **employee stock ownership plan (ESOP)** is an employee-owner program that provides a company's workforce with an ownership interest in the company. In an ESOP, companies provide their employees with stock ownership, often at no upfront cost to the employees. ESOP shares, however, are part of employees' remuneration for work performed. Shares are allocated to employees and may be held in an ESOP trust until the employee retires or leaves the company. The shares are then either bought back by the company for redistribution or voided.

Some corporations are majority employee-owned; the term "employee-owned corporation" often refers to such companies. Such organizations are similar to worker cooperatives, but unlike cooperatives, control of the company's capital is not necessarily evenly distributed. In many cases, voting rights are given only to certain shareholders, and more senior employees may be allocated more shares than new hires; typically, they are tied to the compensation an employee receives from the company. Compared with cooperatives, ESOP-centered corporations often allow for company executives to have greater flexibility and control in governing and managing the corporation.



Nonleveraged ESOP



1. Each year, company contributes stock or

2. cash to the ESOP to buy stock. Employees pay nothing. ESOP holds stock for employees and periodically notifies them how much they own and how much it is worth.

3. Employees receive stock or cash when they retire or otherwise leave company according to vesting schedule.

What Is an ESOP?

The Benefits of Selling to an ESOP

An ESOP can use pretax future corporate earnings to buy shares from an owner.

Sellers can defer taxation on the gain depending on the type of corporation.

The business will also receive numerous tax benefits depending on the type of corporation.



Sell the business at once or gradually in installments.

Sellers can define their role in the company moving forward.



Protects jobs.

Provides employees with a significant retirement benefit.

Protects the integrity of the business by assuring that it will not be dismantled.



Financial Benefits
Flexibility
Rewarding Employees

Employee stock ownership plans, or ESOPs, are a way to sell a business that benefits the company, employees, and the selling business owners. Business owners sell some or all of their shares to an ESOP trust, which owns those shares on behalf of employees.



ESOPs can be funded in many ways, but usually the transaction involves a loan. The company can take out a loan and then reloan the funds to the ESOP trust. The company makes contributions to the trust, which the trust uses to repay the loan. Sometimes the person selling the shares provides the loan. Almost all ESOPs are completely company-funded. Employees pay nothing.



As the loan is repaid, shares become available to allocate to employee accounts. The allocations must be made on a non-discriminatory basis, like payscale or a more level formula. With limited exceptions, all employees participate in the plan.



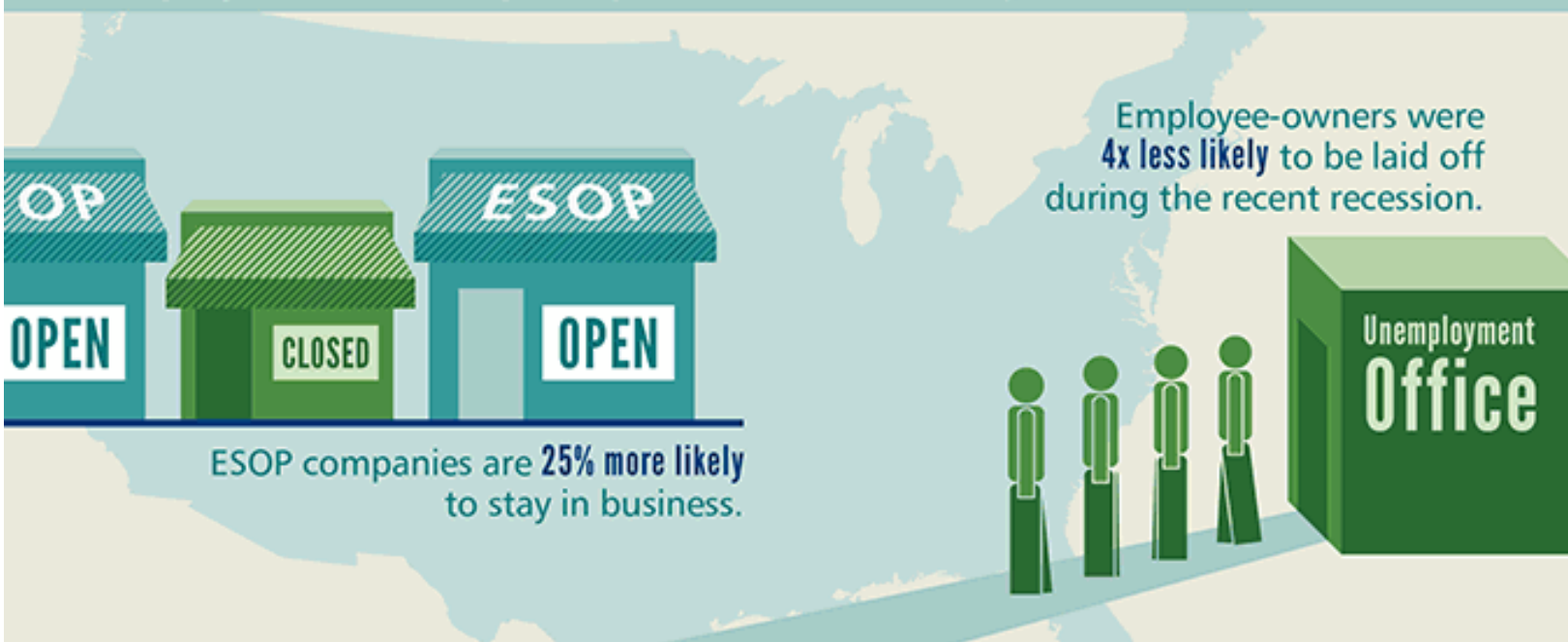
The company administers the plan in accordance with federal laws and regulations that govern issues such as contribution and allocation limits, vesting, benefit distributions, diversification, and more.



ESOP companies often have ownership cultures that encourage employees to "think and act like owners." Research shows such companies are more productive, faster growing, more profitable, have less turnover, and generate more wealth.

The Economic Power of Employee Ownership

Employee ownership keeps businesses and jobs in state.

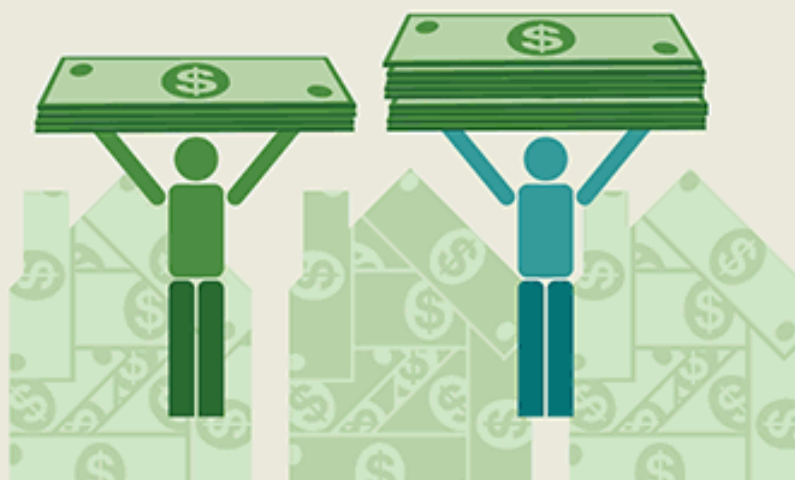


Employee ownership builds community wealth.

Employees at ESOP companies have **2.5x greater** retirement accounts.



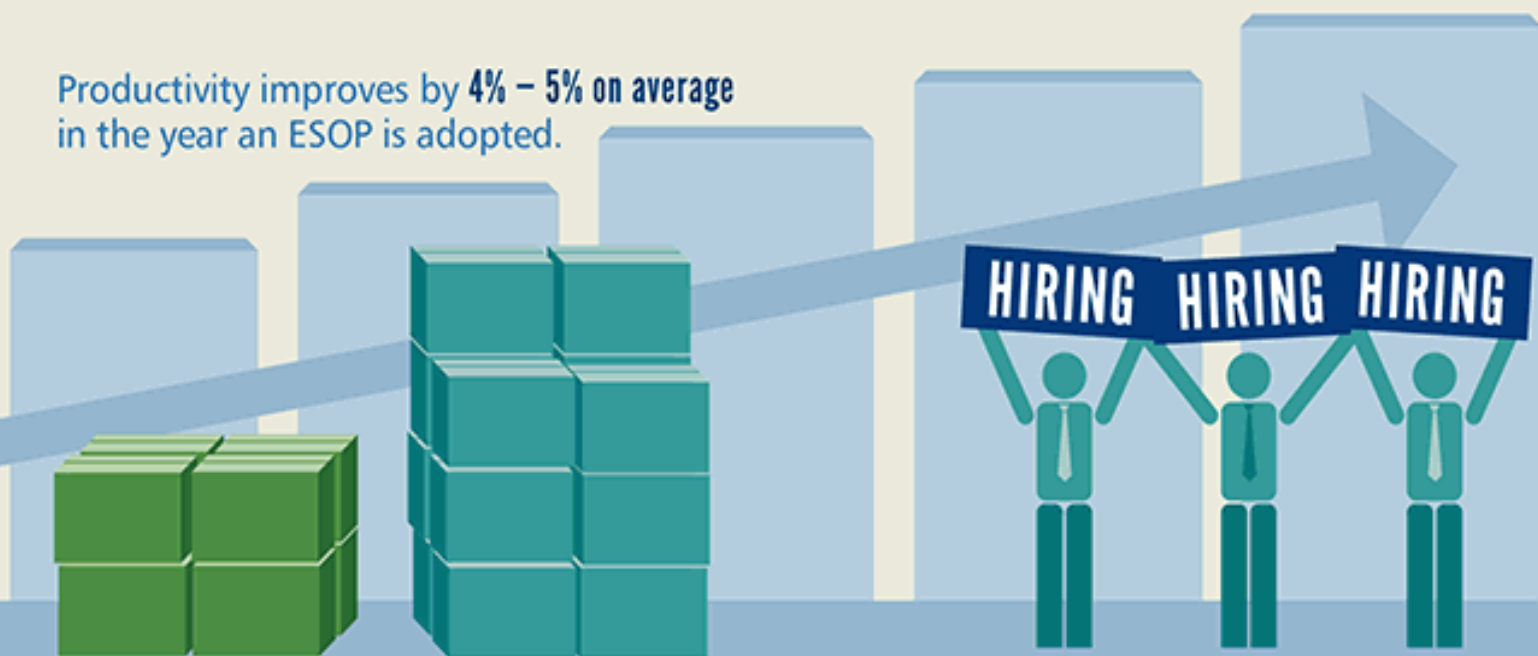
Employees at ESOP companies receive **5% - 12% more** in wages.



Employee ownership improves business performance

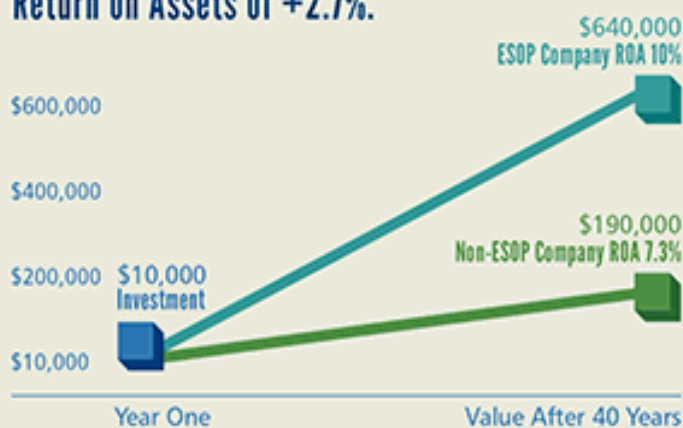
Employee ownership improves business performance.

Productivity improves by **4% – 5% on average** in the year an ESOP is adopted.



Over a 10-year period, ESOP companies have **25% higher job growth** than comparable companies without an ESOP.

ESOP companies see average yearly post-ESOP improvement in **Return on Assets of +2.7%**.



ESOP companies increased sales by about **2.3% – 2.4% per year.**

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