



ESOP FORMATION & VALUATION

For many middle-market businesses, ESOPs can provide a compelling alternative to a third-party sale. Meaningful tax incentives, structural flexibility, employee retention, and the ability to preserve management, culture and legacy are just a handful of the benefits of this strategy.

New ESOPs

Business owners and advisors who come to Acuity with questions about an Employee Stock Ownership Plan are at various stages of the ownership transition journey. They may have only just heard about an ESOP and want to learn more, or they may already be looking for a plan that meets some specific goals they have in mind.

Selling your company while minding the day-to-day challenges of running it can seem daunting. Acuity's committed and tenured team can significantly minimize disruption and anxiety by identifying, understanding, and managing complexities, and presenting the smartest options along the way. That frees you and your team to make informed decisions and work toward the right results, without distraction from the operational bottom line.

Feasibility

The feasibility process will reveal the most effective plan design, considering the seller's goals and objectives and any potential constraints. Out of this process, we deliver a comprehensive ESOP sell-side strategy that considers the initially identified goals, the tax impact of various structures, liquidity needs, and other factors. We fully prepare you for what to expect from the transaction so that you can make informed decisions that maximize outcomes for all stakeholders.

Structure / Plan Design

Working with an insightful and fully immersed team guiding you through the feasibility and plan design process assures that you don't waste valuable resources, miss opportunities, or settle for a less than ideal transition. Ultimately, it sets up the ESOP for long-term success. Our

transaction structure and plan design approach has been honed through our work on hundreds of successful ESOPs, in many different roles. We:

- Model and implement a structure that helps satisfy both short and long-term goals, while illuminating advantages you may not have anticipated.
- Identify the best path to assure that those vital to the company's success are rewarded for their efforts and positioned to carry the company's legacy into the future.
- Anticipate and help overcome the structural obstacles that inevitably arise, while preserving the best possible outcome for all parties over the long term.
- Help introduce and vet the suite of professionals needed to effectively execute the chosen structure and design. We maintain tenured relationships with leading independent ESOP trustees, third-party administrators, attorneys, valuation advisors, financing sources, and other specialized ESOP service providers.

Trustee Services

ESOP fiduciaries must ensure that the diligence performed prior to consummating a transaction is well considered and properly documented. The trustees we work with know that we will give them our unbiased opinions, built on thorough analysis and diligent research. They rely on us for the tools necessary to make crucial financial decisions and carry out their fiduciary obligations.

We leverage our experience having worked on hundreds of ESOP transactions over the years to analyze a potential sale in its entirety, maintaining communication with the ESOP trustees throughout the process. From the preliminary range of value to the negotiation of a letter of intent, from drafting

and issuance of the fairness opinion to facilitating a successful closing, we help trustees make well informed fiduciary decisions. We continue to address post-closing transaction issues that arise post closing, long after the initial terms were negotiated.

Existing ESOPs

We don't stop at feasibility, design, and implementation. Acuity exists to help our clients sustain the value created by the ESOP throughout its entire lifecycle. We help trustees, boards of directors, and senior management teams understand the long-term impacts of ESOP policy decisions. Our analytical decision-making framework helps you to promote long-term sustainability and incentivize broad-based employee engagement.

We help you enhance employee motivation across all levels of the organization by assuring that plan participants can connect their behavior and performance to the value of the company and their ESOP accounts.

Sale of an ESOP-Owned Company

Whether the board is approached by a motivated suitor or chooses to pursue a sale for strategic reasons, the ESOP will add a nuanced layer of complexity to the sale of the company. That will be true both in the assessment of an offer and the transaction execution. Even if the company is not actively marketed for sale, the ESOP creates a fiduciary responsibility to seriously assess all legitimate offers, and potentially even "shop" the Company to determine the strength of the offer in hand. New and long-time clients turn to Acuity to vet and negotiate an initial offer, structure key terms around certain must-have provisions, or in certain circumstances, to manage and execute a comprehensive sale (auction) process.

Repurchase / Re-Leveraging

The timing and magnitude of a company's obligations to repurchase stock from active or departing participants can vary greatly depending upon the provisions of the ESOP plan document, employee population demographics, trends in share value, and several other dynamic factors. Effectively managing the repurchase obligation and understanding the various options to navigate any challenge is key to an ESOP's sustainability. Our clients rely on us to help them work through the complexities of those options and develop a strategy that brings the best result in their specific situation.

Governance

A well-considered and responsible corporate governance structure is a cornerstone of ongoing success for any ESOP. We help our clients assure best practices are implemented, fine-tuned, and updated with the long term in mind. As seasoned independent advisors, we help develop optimal structures for board compensation and composition, board size and meeting format, trustee benchmarks, and more. Senior members of our team are also available to serve as independent directors of ESOP-owned companies, to bring the insights and expertise from our entire client base directly to the conversation.

Employee Engagement

An ESOP can help employees build long-term wealth to an extent that they otherwise never could have on their own. Every year, the ESOP participants receive statements to monitor the value of their account, but often don't connect their own performance with that of the company or its value. We can help improve employee engagement by conducting employee presentations on core value drivers, providing tools to more effectively illustrate important concepts, and assisting in the development of employee communications and messaging. We draw a clear line of sight from employee behavior to value creation and share price growth, right down to the penny.

Appraisal Peer Review

We help fiduciaries get to the right result, whether we are advising them directly, or providing an objective, rational, and impartial review of another firm's opinion.

One of a trustee's most crucial fiduciary responsibilities can be establishing a reasonable valuation with the help of an independent appraisal firm. Amid increasing regulatory scrutiny, our role is to go beyond the quantitative analysis evident in the valuation report and provide fiduciaries with insights and guidance to help them assess the quality of valuation opinions.

Whether as a second opinion on a pending transaction, or an occasional sanity check on the value of an ESOP-owned company post-transaction, Acuity is here to help trustees gain comfort through independent and impartial peer review.

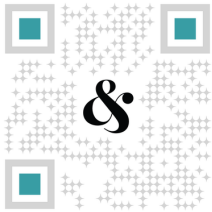
EXPERTISE IN ACTION

Founded in 1932, Marshall & Stevens provides valuation consulting, transaction advisory, and litigation support services. The firm's specialists are relied upon by businesses, investors, and advisors for analyses utilized in complex transaction and legal matters.

From the boardroom to the courtroom, Marshall & Stevens delivers clarity, independence, and results.

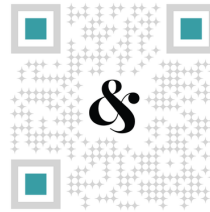
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