



# Your guide to **ESOPs**

**EMPLOYEE STOCK OWNERSHIP PLANS**



**BROWNWINICK**  
LAW

# What is an ESOP?

An Employee Stock Ownership Plan, or ESOP, allows employees to own part or all of the company they work for. It means that an employee will receive shares in a retirement account over time, which are connected to cash when they leave or retire, potentially without costing them a cent. At BrownWinick, we help private companies and their owners with nearly all stages of establishing an ESOP. This includes:

- Setting up Governance
- Designing & Drafting Qualified Plans
- ESOP Administration and Ongoing Compliance
- Structuring Transactions
- Plan Formation
- Negotiating Financial Terms & Structure
- Tax Planning
- Error Correction
- Collaboration with other Advisors/Experts

## The Benefits:

Keeps Ownership Local

Rewards Employees

Align Company Profitability with Employee Incentives

Numerous Tax Benefits to Sellers & the Company

## Our Services:

### Trustee Representation

We serve as counsel for ESOP trustees, providing guidance regarding statutory and regulatory compliance, fiduciary duties, negotiating and reviewing transactions that require ESOP trustee approval, and addressing issues that come up during the course of a trustee's duties.

### Owner & Business Representation

We represent private companies and their owners as they consider setting up an ESOP, and help with nearly all stages of the process. There are many incentives and tax benefits associated with an owner selling to an ESOP. There are also significant tax savings to the ESOP-owned company going forward, providing more security, profits and opportunities to the employees. ESOPs are subject to specific tax and employment rules, and we have experience working with employers to ensure compliance, correct administration errors and respond to the Department of Labor and IRS if required.

## The Bottom Line:

ESOPs are a highly tax-advantaged option for business owners looking to retire or create an exit plan for themselves while benefiting and protecting their employees and communities. ESOPs may also be used as a mechanism to incentivize and reward employees who have helped grow the business.



## How it works:

There are many ways an ESOP can work, but to get a good overview of the process, check out this example following Crosby as he sells shares of his company to an ESOP.



Crosby has completed a feasibility study and decided an ESOP is perfect for The Dog Bowl, a pet product manufacturing company.

Now is the time for Crosby to hire an ESOP attorney. He will need to work with them to decide how the ESOP should be set up.



The next step is to sell shares to the ESOP, which usually involves the company obtaining a loan. The ESOP trust will hold shares of stock on the employee's behalf. The company will then make annual contributions to the ESOP. Almost all ESOPs are entirely company-funded, so employees don't need to take money out of their pockets to become owners.

The contributions are then used by the ESOP to purchase shares from Crosby, which are allocated to the retirement accounts of employees on a non-discriminatory basis.



The result? Employees now get the benefits of ownership without writing a check! They can now think and act like owners- because they are!

When an employee leaves the company, they are cashed out and provided with a substantial retirement benefit. Crosby can keep working with the company as he heads toward retirement. The ESOP has protected jobs, benefited the local community, provided financial benefits, and rewarded employees.



Now Crosby has peace of mind, knowing that the company is in safe hands once he decides to retire.

**A good ESOP strategy requires an **EXPERIENCED** ESOP team.  
Contact our team today to get the most out of your ESOP.**



**DREW LARSON**

Member Attorney | 515-242-2485  
drew.larson@brownwinick.com



**CINDY LANDE**

Member Attorney | 515-242-2476  
cindy.lande@brownwinick.com

Learn more at [bwesop.com](http://bwesop.com)



**Be Bold. Be Wise.**