GUIDE TO ESOP VALUATION

and Financial Advisory Services

Second Edition

Robert F. Reilly and Robert P. Schweihs

Table of Contents

Section I – Structuring the ESOP Transaction

- 1. Employer Stock Purchase or Sale Transaction Structure
- 2. Structuring the Leveraged ESOP Employer Stock Purchase Transaction
- 3. ESOP Formation as a Close Corporation Ownership Transition/Exit Strategy
- 4. Using 401(k) Plan Assets to Purchase Employer Stock
- Due Diligence Procedures in Pricing Employer Stock Acquisitions

Section II - ESOP Employer Stock Valuation Issues

- 6. Basic Elements of the ESOP Employer Corporation Stock Valuation
- 7. Valuation Issues with Regard to Employer Corporation Stock
- Valuation Differences Between the Large Employer Corporation and the Small Employer Corporation
- 9. Income Normalization Adjustments in Employer Stock Valuations
- 10. The Use of Empirical Data to Estimate Employer Stock Valuation Discount Rates
- 11. Financial Statement Analysis in the Employer Stock Valuation

Section III - Advanced ESOP Valuation Issues

- 12. Employer Stock Valuation Long-Term Investment Perspective
- 13. Valuation Adjustments in the Employer Stock Valuation
- 14. Valuation Impact of the Employer Stock Repurchase Obligation
- 15. ESOP Formations in the Health Care Industry
- 16. Employer Stock Valuation Guidance from Internal Revenue Service Publications
- 17. Solvency Opinions and the Employer Leveraged Buyout Transaction

Section IV – Role of the Independent Financial Adviser

- Role of the Independent Financial Adviser in the ESOP Fairness Process
- 19. Employer Stock Purchase or Sale Transaction Fairness Opinions

- Transaction Fairness Opinions and the "Independent" Financial Advisory Firm
- Selecting an Independent Financial Adviser and Reviewing an Employer Stock Valuation Report
- 22. Changing the ESOP Independent Financial Adviser
- 23. Financial Advisory Services for the Employer Corporation Bankruptcy

Section V – Specialized Financial Adviser Issues

- 24. Ethics Considerations in Employer Stock Valuations
- 25. Employer Stock Valuation and Fairness Opinion Due Diligence Checklist
- 26. Employer Stock Purchase Financing Solvency Opinion Due Diligence Checklist
- 27. Research Tools in ESOP Litigation Matters
- 28. Reasonableness of Remaining Shareholder/Executive Compensation
- 29. Reasonableness of Compensation Analysis of Retained Shareholder/Executive in an Employer Stock Acquisition

Section VI - Valuation and Financial Opinion Reports

- 30. Effective Business/Security Valuation Reports for ESOP Litigation
- 31. Expert Witness Testimony in ESOP Litigation Matters
- 32. Financial Adviser Expert Testimony Procedures in ESOP Valuation Controversies

Section VII - Valuation and Financial Opinion Reports

- 33. Illustrative Sample Confidential Proposed Transaction Memorandum to the ESOP Trustee
- 34. Illustrative Sample Employer Stock Valuation Report
- 35. Illustrative Sample Reasonableness of Shareholder/ Executive Compensation Case Study

Section VIII – ESOP Bibliography

36. ESOP Valuation and Financial Advisory Services Bibliography

Section IX – Appendices

- A. Internal Revenue Service Revenue Ruling 59-60
- B. Proposed Regulation Relating to the Definition of Adequate Consideration

Who Should Buy This Book

- ESOP independent financial advisers and business appraisers
- ESOP trustees and other plan fiduciaries
- > ERISA lawyers and other ESOP professional advisers
- > shareholder/executives of ESOP sponsor companies

