



# Building A Diversified ESOP-Owned Holding Company

**Presented by:**

**Steven Greenapple, Partner**

**SES ESOP Strategies**

Fort Lauderdale  
stevenslee.com

**Daniel Goldstein, CEO**

**Folience**

Iowa and Oklahoma  
folience.com

# Introductions

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**Steven Greenapple**, Partner  
***SES ESOP Strategies***  
Fort Lauderdale, FL  
[sbg@stevenslee.com](mailto:sbg@stevenslee.com)



**Daniel Goldstein**, CEO  
***Folience***  
Cedar Rapids, IA  
[daniel@folience.com](mailto:daniel@folience.com)

- 1. Folience's Story**
- 2. Strength from Diversity**
- 3. Building a New Company**
- 4. Acquisition Targets**
- 5. Transaction Considerations**
- 6. ESOP Issues**
- 7. Case Studies**
- 8. Q&A**



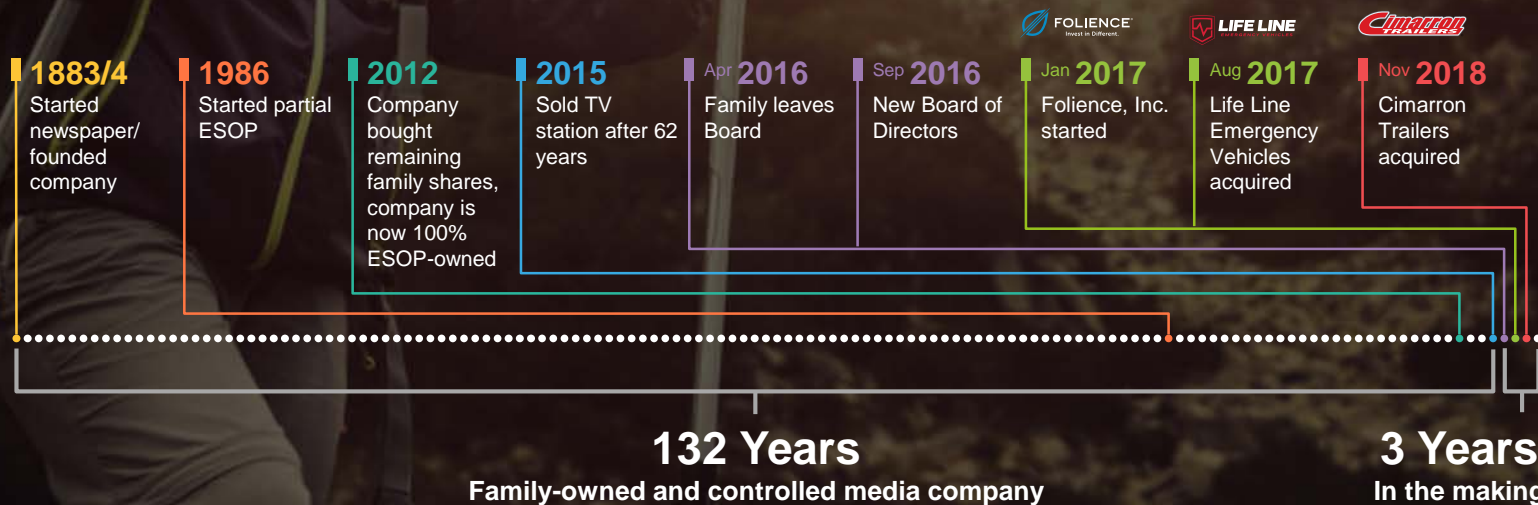
**FOLIENCE®**

Invest in Different.

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**A platform for professional ownership and growth.**

# The Path We've Traveled



# Strength from Diversity

- *Invest in Different* businesses.
- **Diversify revenue sources** and customer demographics to weather economic volatility of sector, timing, and geography.
- **Leverage Shared Services** to support growth.
- Find **multipliers of values**, more than efficiencies of costs.
- Still one basket, but with **many eggs in that one basket**.

## Step 1 A New Brand



The image shows a glass wall with the Fusion Farm logo and brand name. The logo consists of a grid of squares, with some squares filled with red and others with white. The brand name "fusionfarm" is written in a lowercase, sans-serif font.



The image shows a glass wall with the Fusion Farm slogan. The text "We make BRANDS WORK." is written in a white, sans-serif font. The word "BRANDS" is in all caps and larger than the other words. The background is a red and white geometric pattern.

- The beginning and foundation of sustainable positioning.
- Aligns culture, corporation, products and services, and all messaging.
- Builds a belief system centered around employee ownership.
- Brand Platform - deeper than mission, vision, and values statements.

[www.fusionfarm.com](http://www.fusionfarm.com)

SES | ESOP  
STRATEGIES  
A STEVENS & LEFFIGRE COMPANY



FOLIENCE  
Invest in Different.

LOGIC  
CREATIVITY

## Step 2 A New Board



**Chuck Peters**  
Board Chair



**Wendy Guillies**  
Comp Committee



**Tracy McCormick**  
Audit Committee



**Bill Adamowski**



**Tom Pientok**



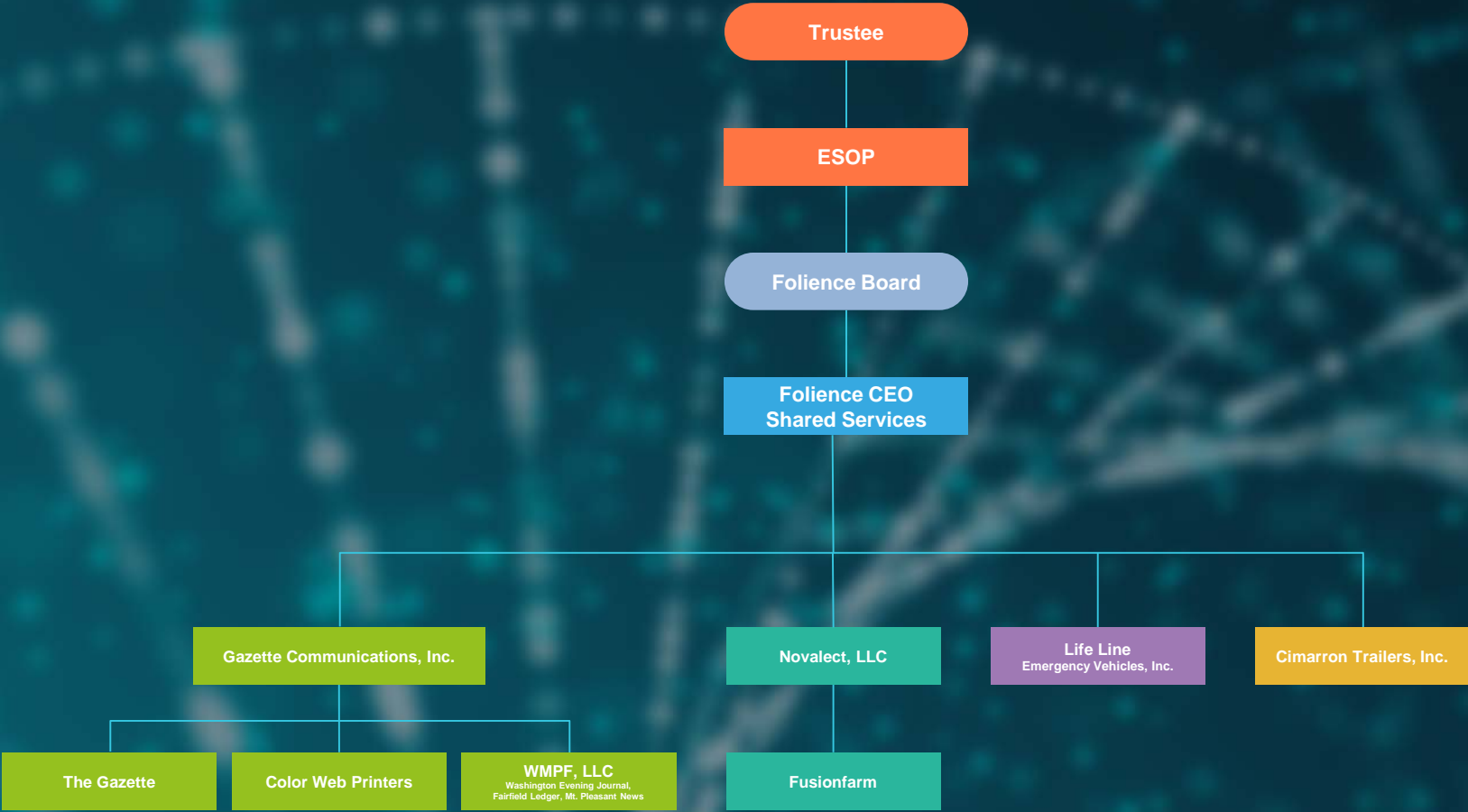
**Daniel Goldstein**



**Cathy Terukina**



# Step 3 A New Structure



## Step 4 A New Search

- Profitable companies
- Management continuity
- \$4 – \$8M EBITDA
- Growth opportunity
- Minimal complications
- Industry and geography agnostic
- Partial seller 10-year note financing
  
- In need of a transition of ownership
  - Succession planning - aging out
  - Take cash off table and continue
  - New, continued, merged ESOP transaction

# Type of Target Entity

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## Target can be any form of business entity:

- S corporation
- C corporation
- LLC
- Partnership

## Target can have:

- no ESOP (pre-transaction)
- minority (< 50%) ESOP
- majority ESOP; or 100% ESOP

## Target shareholders may include:

- one or more individuals (may be active or inactive in business)
- other business entities (holding company or private equity)
- passive investors
- even charities

# Form of Transaction for Acquisition

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- Stock Purchase
- Asset Purchase
- Merger or other tax-free reorganization
- Any of these may be with the holding company acquirer, or with an “acquisition subsidiary”
- Special Case: Create new target ESOP to allow target sellers to make 1042 election; combine ESOPs; combine companies through merger or other tax-free reorganization
- Seller financing (different sellers may be treated differently)

# Issues Affected by Form of Transaction

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## Tax impact on target and sellers

- Special case: 1042 non-recognition of gain

## Tax impact on buyer

- Special case: tax impact on 100% ESOP owned buyer

## Responsibility of buyer for liabilities of target

## Approval process

## Releveraging of buyer's ESOP

## Repurchase obligation



# Issues Raised by ESOP Ownership

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## Approval of Transaction

- Role of Board of Directors
  - Company financial advisor
- Role of Trustee
  - ESOP financial advisor
- Role of ESOP participants
- Role of Other shareholders

Impact of transaction on ESOP valuation; Price protection

“Fair Market Value,” “Adequate Consideration,” & Fairness

Repurchase Obligation & 409(p)

Buyer ESOP / Target ESOP

## Case Studies



- Invest in employees, families, community, and brand.
- Management focuses on their business, supported by FoliENCE's Shared Services:
  - Accounting and inventory
  - Payroll and benefits
  - Cash management and budgeting
  - Facilities and capex
  - Audit and internal controls
  - Segregation of duties and risk metrics
  - Branding and marketing
  - Culture and leadership



A platform for professional ownership and growth.



# Questions?

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# Don't Forget!

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**Please fill out your evaluation for this session**

You can find it in the Conference App or ask for a paper version.

# Contact Information

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