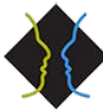




ACME, INC.

WHAT WILL IT TAKE?

Issue	Constituency	Variables	Solutions	Resources	Cost Estimate
<b>Financial</b>					
	<b>Selling Shareholder(s)</b>	How much does Seller want/need to get? How much cash vs. promissory note?	Seller does the soul-searching to determine "the number" that would be too low	Seller; Seller's Financial Advisor	
		What will Seller's tax consequences	Test cash vs. note scenarios with or without a 1042 election and at minority/majority/100% sales	Seller's Financial Advisor, Tax Advisor, Estate Planner	
	<b>Company</b>	How much can the Company borrow?	Prepare pro formas including ESOP transaction debt	CFO, Incumbent Bank, Investment Banker, new lending candidates	
		How much will obtaining the debt cost?	Shop around; confirm with lenders whether they will use outside counsel and get cost containment commitments; confirm whether lender will require an opinion letter	CFO, Incumbent Bank, Investment Banker, new lending candidates; Company Tax Counsel (if opinion letter required)	
	<b>Selling and Non-Selling Shareholder(s)</b>	Will proposed transaction impact share price and ability to sell in the future?	Estimate debt impact on share value and impact of minority discounts, if any	Seller's Financial Advisor, CFO, Investment Banker, Trustee's Financial Advisor	
		Will the proposed transaction impact distributions/dividends?	Informed, open discussion among shareholders	Trustee; Company ERISA Counsel; Shareholders' Counsel; CFO	
<b>1042 or Not</b>					
	<b>Selling Shareholder(s)</b>	Would Seller need to borrow to buy Qualified Replacement Property?	Determine how much cash Seller wants/needs; understand costs and risks of leveraged QRP portfolio	1042 Advisor	
		Is Seller okay not participating in the ESOP? Seller's family members?	If 1042 means exclusion from participating in the ESOP can excluded employees benefit in other ways?	Company ERISA counsel; Third Party Administrator	
		What is tax consequence to Company if 1042 requires revoking S election	CFO, CPA	CFO, CPA	
	<b>Company</b>	If 1042 requires S revocation, will dividends be paid?	CFO, CPA		
	<b>Non-Selling Shareholder(s)</b>	Who will serve as the Trustee's financial advisor?	Trustee		
<b>Valuation</b>					
	<b>Selling Shareholder(s)</b>	What would the ESOP be willing to pay?	Engage Trustee to obtain "phase 1" range of value; engage Seller's Financial Advisor for valuation	Trustee; Trustee's Financial Advisor; Seller's Financial Advisor	
		Internal or independent Trustee	Company Board analyzes trade-offs based on research and diligence to appoint the fiduciaries	Company ERISA Counsel	
<b>Negotiations</b>					
	<b>Corporation</b>	Who will negotiate for Seller?	Determine how much, if any, support Seller wants for the transaction	Seller's Financial Advisor, Investment Banker; Estate Planner, CPA	
	<b>Selling Shareholder(s)</b>	Will Seller have separate counsel to review transaction terms and documents?	Seller determine whether assistance is desirable (usu. recommended)	Seller's Financial Advisor, Seller's Legal Counsel	



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	<b>Buyer (ESOP)</b>	Who will negotiate and review transaction documents for the ESOP?	Confirm with parties who will be the point person for communication with the Trustee's	Trustee with assistance from Trustee's Financial Advisor and Trustee's Legal Counsel	
<b>Fiduciary and ERISA</b>					
	<b>Company</b>	What type of plan document? Who will design and draft the plan documents?	Discuss options with Company ERISA Counsel	Company ERISA Counsel	
	<b>Buyer (ESOP)</b>	How to ensure the ESOP pays no more than adequate consideration and that the transaction is prudent	ESOP Trustee engages qualified, independent appraiser	Trustee, Trustee's Financial Advisor (aka, appraiser), Trustee's Counsel	
	<b>All Parties</b>	Ensure that ESOP transaction conforms to tax and ERISA requirements	Engage Company ERISA Counsel; confirm whether Trustee will have separate counsel	Company ERISA Counsel; Trustee Counsel	
<b>Governance</b>					
	<b>Shareholders, Management, Company</b>	Will the transaction change day-to-day operations or strategic decision-making?	Open and informed discussions regarding changes in the Board or leadership structure, if any	Company ERISA Counsel; Company Corporate Counsel; Shareholders' Counsel	
	<b>Buyer (ESOP)</b>	Is the ESOP buying a majority interest and obtaining control?	Open and informed discussions regarding Board membership and committees (i.e., compensation, audit and Board nomination committees)	Trustee, Trustee Counsel, Company ERISA Counsel; Company Corporate Counsel	
<b>Transaction Construction</b>					
	<b>Company</b>	Does the Company need to elect/revoke S, stock split, form holding company, move state of jurisdiction, convert from an LLC, other corporate "clean-up"?	Review existing corporate structure, operations and records to determine whether changes are needed	Company Corporate Counsel; Company ERISA Counsel	
	<b>Management</b>	Does Management have the resources to handle due diligence?	Decide who will collect and upload diligence material; respond to diligence requests	Management; Company ERISA counsel	
		How will the ESOP affect management compensation?	Design and implement management compensation plan (e.g., Stock Appreciation Rights)	Board, Compensation Consultant, Company ERISA Counsel	
	<b>Company and ESOP Participants</b>	What will they get, and when? How much will it cost?	Model benefit levels, contribution limits, 409(p) testing, repurchase obligation, annual allocations, etc.	CFO, Company ERISA Counsel, Third Party Administrator (TPA)	
		How to explain the ESOP to employ	Work with advisors to craft employee communications to clearly explain the benefit and maximize utility of the ESOP	Company Management; Company ERISA Counsel; Trustee; TPA, ESOP Communications Consultant	



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WHAT WILL IT TAKE?

Issue	Constituency	Variables	Solutions	Resources	Cost Estimate
	<b>All Parties</b>	Who will design the transaction structure	Confirm with Advisors	Company ERISA Counsel, Trustee Counsel, Investment Banker	
		Who will draft transaction document	Confirm with Advisors	Company ERISA Counsel, Trustee Counsel, Investment Banker	