

# W H A R T O N

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## VALUATION ASSOCIATES INC.

### VALUATION SERVICES FOR ESOPs

#### *Empowering Employee-Owned Companies*

ESOPs have emerged as a popular way for owners of closely held companies to create a market for their stocks. They are popular in part due to their significant tax advantages: under certain circumstances, sellers can defer capital gains taxes on the sale of their stock to an ESOP, or eliminate them entirely if qualified replacement securities are held until death. Subject to applicable regulations, the contributions to ESOPs are tax deductible to the sponsor company as an employee benefit expense.

#### *Valuation Opinions Rendered with Integrity*

Under the right circumstances, ESOPs are excellent ownership succession devices, but they must be supported by expertly conceived and well executed valuations of the company's stock. Regulations state that purchases of stock by the ESOP must not be for more than "fair and adequate consideration." For this reason, it must be demonstrated that the ESOP paid a fair price for its shares at the time of the transaction. Thereafter, appraisals of the stock held by the ESOP must be performed annually. Compliance with the applicable regulations is monitored by the IRS and the Department of Labor.

#### *Trust Wharton Valuation*

Trustees and attorneys across the country count on our professionals to provide thorough and independent fairness opinions for shares of ESOP companies. Our assignments are referred to us by business advisors who value our commitment to delivering well-crafted fairness opinions with an unparalleled level of service. Our professionals have extensive knowledge of the many nuances associated with ESOP valuations and stay current on the latest legal and business developments related to ESOPs. Each fairness opinion is independently constructed using industry accepted methodologies and careful analysis.

**Personalized service. Rigorous analysis. Independent judgment.**



## *Our Strong Business Valuation Heritage*

Wharton Valuation's 20 years of experience in the valuation business includes advisory services for complex ESOP transactions, including those with debt, common stock and convertible preferred stock. We are experts in valuing companies in a wide range of industries and stages of development. At Wharton Valuation, our mission is to provide the most thorough and objective valuation studies—ones that can withstand the toughest scrutiny from tax authorities, auditors and the Department of Labor.

### *Our services include:*

- *Thoroughly researched valuation opinions for ESOP trustees.*
- *Education of plan participants and trustees.*
- *Advisory services for ESOP transactions.*
- *Second valuation opinions.*

## *About Wharton Valuation Associates*

Established in 1990, Wharton Valuation Associates, Inc. is a financial consulting firm specializing in the analysis and valuation of business interests. We deliver individualized service and solutions to assist clients with a wide range of planning and transactional needs including tax compliance, financial reporting, ESOPs, and corporate finance transactions. Our team is comprised of seasoned experts skilled at the art and science of performing valuation. We have successfully defended our work before the IRS, the SEC, and the Department of Labor, as well as in testimony in federal and state courts and mediation and arbitration proceedings. This depth of experience is appreciated by many leading attorneys, accountants, bankers, and other professional advisors nationwide who refer their most complex valuation problems to us.