

ESOP CANDIDATE CHECKLIST

Yes	No		Notes
___	___	1. The company is a corporation taxed in the normal manner. Please check type of corporation. "C" Corp. ___ "S" Corp. ___ Professional Corp. ___ Other ___	
___	___	2. The company is closely held, or publicly traded with significant ownership in a few hands.	
___	___	3. The company has sales and payroll adequate to support an ESOP; current and projected payroll as a percentage of sales is 20% or greater.	
___	___	4. The company has a strong earnings or cash flow record over the previous five years.	
___	___	5. The company expects to pay substantial federal income taxes over the next few years.	
___	___	6. The company has paid substantial federal income taxes during the past three years.	
___	___	7. At least some stockholders have a reason why they might be interested in selling some stock; e.g., planning for retirement, liquidating an estate, entering a new business venture, children not involved in business, etc.	
___	___	8. If one or more principal executives will be departing in connection with the sale, there is strong management available to take their place(s).	
___	___	9. The company customarily makes payments to a profit sharing or other employee benefit plan that could in the future be diverted to an ESOP.	
___	___	10. The owners are psychologically willing to share ownership with their employees, assuming an attractive deal can be arranged. (Difficult to assess, in advance, but critical.)	

No mechanical approach can be perfect, but this list is a good start. A company with six or more "Yes" answers is a good candidate. A company with eight "Yes" answers should immediately review *The ESOP Alternative*TM. A company with 10 "Yes" answers is probably making a mistake if it doesn't have an ESOP.

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(same list with more space for notes)

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