

ESOP Feasibility/Design Study: Information Request

The purpose of this information request is to organize the information required to determine the feasibility of implementing an ESOP at your company. In order to evaluate the potential benefits to your company, which would result from the installation and use of an ESOP, we will require the preliminary information covered by the questions set forth below. Clearly, the more information we have available, the better the analysis will be. We encourage you to answer all questions completely.

Any figures furnished in response to these questions may be approximate. If you need more room than is provided, please attach a separate sheet with your answer numbered according to the corresponding section and question.

We understand and agree that any information furnished will be held in the strictest confidence and will not be disclosed to anyone without your consent.

If you have any questions when completing this form, please contact Robert W. Smiley, Jr. 1 800 922 3767.

Please complete this form and return it to Robert W. Smiley, Jr. at Benefit Capital P.O. Box 542, Logandale, NV 89021-0542. Fax 702 398 3700. E-mail rsmiley@benefitcapital.com

Date _____ Form completed by _____

General Company Information

1. Official company name _____
“dba” (if applicable) _____
Contact for information _____
Reports delivered to _____
Address _____
City _____ State _____ Zip _____
Telephone(s) _____ Fax _____
E-mail _____ Web site address _____
2. Does the company have offices, plants, or facilities in more than one state? Yes _____ No _____
If yes, list locations and number of employees in each location: _____

3. Does the company have employees in other countries? Yes _____ No _____
If yes, list countries: _____

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4. Form of Business

C Corporation
 S Corporation

Sole Proprietorship
 Partnership

Other

5. Publicly traded? Yes _____ No _____

6. On a separate attached sheet, please identify any other affiliated or related companies (as well as any companies with common ownership over 50%), or check "Not Applicable" below, indicating that no such companies exist. For each such company, please provide the specific company information requested below and indicate whether each is expected to participate in the ESOP.

Check here if not applicable _____

Capital Structure (add additional sheets as necessary to completely describe the capital structure of the company):

Class of Stock	Total Authorized Shares	Issued and Outstanding
Common		
Other Common		
Preferred		

Current Ownership Information (add additional sheets as necessary to completely describe the current ownership of the company):

Common Stock:

Owner	Shares	% of Company	Age	Employee? Yes/No	Years of Service

Other Common Stock:

Owner	Shares	% of Company	Age	Employee? Yes/No	Years of Service

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Preferred Stock:

Owner	Shares	% of Company	Age	Employee? Yes/No	Years of Service

Options:

Owner	Shares	% of Company	Age	Employee? Yes/No	Years of Service

7. Description of business (please attach corporate brochure or other materials) _____

8. Date incorporated _____ State of incorporation _____
 Fiscal year end _____ Cash or Accrual _____
 SIC Code(s) _____

9. Identify special shareholder provisions (i.e., preemptive rights, conversion privilege, right of first refusal, buy-sell agreements, stock redemption agreements, cross purchase agreements, voting rights, stock restrictions, stock options, etc.) _____

10. Book value per share at end of latest fiscal year: \$ _____

11. If there have been stock transactions (sales, purchases, newly issues shares, etc.) within the past five years, please list and describe the transaction(s) and the basis for determining the price of shares transacted.

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12. List dividends per share paid in the last three years

Year	Common	Preferred

Any change contemplated? _____

Key Advisors

Accountant:

Contact Name	
Company	
Address	
Phone	
Fax & E-Mail	

Attorney:

Contact Name	
Company	
Address	
Phone	
Fax & E-Mail	

Banker:

Contact Name	
Company	
Address	
Phone	
Fax & E-Mail	

Depository Relationship:

Contact Name	
Company	
Address	
Phone	
Fax & E-Mail	

Investment Relationship:

Contact Name	
Company	
Address	
Phone	
Fax & E-Mail	

Current Lending Relationships (please attached schedules, as necessary, for each lender):

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Contact Name	
Company	
Address	
Phone	
Fax & E-Mail	

Other Consultant:

Contact Name	
Company	
Address	
Phone	
Fax & E-Mail	

Corporate Financial Information

13. Approximate value of the company: \$ _____

14. Estimate based on

- Owner's Opinion
- Recent Offer
- Appraisal (purpose: _____)
- Recent Stock Transactions (explain: _____)
- Industry Conventional Wisdom

15. Estimated growth in value over the next ten years: _____%

16. For each of the LAST five fiscal years, please provide:
(copies of 1120s would be helpful)

Year	Gross Revenue	EBITDA (earnings before interest, taxes, depreciation, and amortization)	Taxable Income	Fed and State Taxes Paid	Tax Rate Combined

17. Please attach copies of pro forma budgets and cash flow statements for each of the next ten years. Alternatively, you may complete the form at the end of this document labeled "Attachment 1."

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18. Gross annual payroll – PRIOR three years:

Year	# Union Employees	Total Compensation		# Non-union Employees	Total Compensation

19. Gross annual payroll – PROJECTED five years:

Year	# Union Employees	Total Compensation		# Non-union Employees	Total Compensation

20. Estimated pre-tax income for current fiscal year ending _____ : \$ _____
(date)

21. Estimated contributions for current fiscal year ending _____ to:
(date)

Profit sharing plan: \$ _____

Pension plan: \$ _____

22. Lines of credit

Amount	Rate	Maturity Date

23. Term loans

Current Balance	Monthly Payment	Maturity Date

24. Other credit facilities description: please include a copy of any loan agreements, continuing guarantees, and other pertinent documentation regarding the above, include UCC filings.

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Employee Information

25. Please provide the percentage of total employees who fall into the following tenure categories (please be sure to total to 100%):

Length of service	% of employees
1 to 6 months	
6 months to 1 year	
1 to 3 years	
3 to 5 years	
5 to 10 years	
More than 10 years	
TOTAL	

26. Typical annual turnover rates:

Category	% of employees
Executive	
Other management	
Supervisory	
Rank and file	
TOTAL	

27. Union employees:

Year	Number	Annual Compensation

28. Non-union employees:

Year	Number	Annual Compensation

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29. Executive officers and key employees (attach additional sheet if needed):

Name	Age	Current position	Compensation	Years of Service

30. Other qualified plan information: if a profit sharing plan, 401(k) plan, money purchase plan, stock bonus plan, other defined contribution plan, or defined benefit plan was or currently is in existence, please complete the following information with respect to each plan:

Type of plan	
Plan effective date	
Plan year end date	
If the plan is no longer in existence, date terminated	
Approximate annual contribution Employee Employer	
Current market value of plan assets	
Contribution formula	
Is the plan top heavy? (yes or no)	
What is the vesting schedule?	

Please provide a copy of plan documents and Summary Plan Descriptions.

31. Is there an over-funded defined benefit plan? Yes _____ No _____ Amount _____

32. Does the company sponsor any nonqualified plan? Yes _____ No _____

If yes, describe: _____

Study Parameters

33. What employees do you wish to be included in the ESOP (salaried, hourly, union, etc.)? _____

34. Does the company use “leased” employees? Yes _____ No _____

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35. Describe the specific contemplated transaction, including any timetable expectations: _____

36. Please rank the following in order of importance as a reason for considering an ESOP at this time (use 1 as most important):

	Create an alternative to the sale of the company to outsiders or to a public offering
	Create succession planning/estate planning vehicle
	Provide tax favored liquidity for current shareholder(s)
	Improve corporate cash flow
	Implement employee benefit
	Increase motivation and productivity
	Refinance existing debt
	Finance acquisition or capital investment
	Other - describe:

37. If cash is needed, how much? \$ _____

38. Using the ESOPs Objectives and Benefits Checklist (at the end of this Design Study Request), please carefully review the potential objectives and benefits from the adoption of an ESOP by your company. We have provided spaces for you to rank those items of special interest in order of their relative importance.

39. How did you first learn about ESOPs? What information have you compiled to date? (This will help us determine what supplemental information to provide.) Please provide a brief summary of how you became acquainted with employee stock ownership plan financing. _____

40. Additional comments you have at this time: _____

41. If you are considering a self-trusteed ESOP, please indicate the names of the individuals who will serve in this role: _____

42. With respect to all stock that may be sold to the ESOP, please provide the following:
 - Date acquired by shareholder

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- Indication as to whether the stock was acquired from the company or direct from other shareholders. If acquired from the company, was the stock acquired by stock grant, stock purchase, exercise of stock option, or other? Please describe.

43. Please attach the following items:

- _____ Most recent year's financial statements for the company
- _____ Most recent tax return(s) for the company
- _____ Projections and/or business plan
- _____ Employment agreements
- _____ Stock options and deferred compensation agreements
- _____ Buy-sell agreements
- _____ Company brochure, corporate history description and/or information
- _____ Organization chart
- _____ Qualified plan documents and/or data, including a copy of the plan document, Summary Plan Description, Form 5500, administrative records, IRS determination letter, valuation or allocation reports
- _____ Employee census (dates of birth, dates of hire, anticipated annual wages, Social Security numbers); include a notation to identify any employees or shareholders who will be retiring soon. Please provide this information electronically - send flat file, comma delimited, or Excel spreadsheet format.
- _____ Other _____

Regulated Industries

44. Do you rely on government revenue? If so, to what extent as a percentage of sales? _____

45. Do you have special reporting requirements to the government? If yes, please explain: _____

46. Are you licensed by the government? If yes, please explain: _____

47. Do you require bonding to operate? _____

If bonding is required, what requirements do you have regarding financed ratios? _____

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ESOP OBJECTIVES AND BENEFITS

Please carefully review the following potential objectives and benefits available from the adoption of an ESOP by your company. Check those items which you find of special interest. We have also provided a space for you to rank those items of special interest to you in order of their relative importance (10 = highest; 1 = lowest).

Item of Interest(1)		Order of Importance
_____	1. Finance future growth with pretax dollars.	_____
_____	2. Finance future growth at favorable interest rates.	_____
_____	3. Finance debt, repaying both principal and interest with pretax dollars.	_____
_____	4. Increase cash flow without increasing sales or revenue.	_____
_____	5. Motivate employees to regard the company through the eyes of an owner by letting them share in a "piece of the action" and possibly receive tax-deductible dividends.	_____
_____	6. Create a friendly base of stockholders (employees) as opposed to disinterested speculators in the public marketplace.	_____
_____	7. Create a tool to help attract and retain high-quality management and supervisory personnel while cutting down on employee turnover.	_____
_____	8. Encourage employee ownership of closely held company stock [without relinquishing voting control? Yes___ No___].	_____
_____	9. Improve employee relations.	_____
_____	10. Ensure the future growth of the company through increased employee productivity and increased company profitability.	_____
_____	11. Convert present employee benefit plans from pure expense items and liabilities to vehicles that increase working capital and net worth.	_____
_____	12. Remain private, while providing an in-house, liquid market for stock.	_____
_____	13. Enable private shareholder(s) to sell all or part of their holdings at fair market value without the expense and uncertainty of a public securities offering, and defer paying federal capital gains taxes, perhaps indefinitely.	_____
_____	14. Create a financial tool for estate planning which can provide for complete payment of federal estate taxes.	_____
_____	15. Divest an incompatible subsidiary without the publicity, expense and uncertainty of finding an outside buyer.	_____
_____	16. Acquire a company with pretax dollars, and amortize acquisition financing with pretax dollars.	_____
_____	17. Provide for the potential recapture of the prior three years' federal income taxes.	_____
_____	18. Use in conjunction with takeover defense strategy, retiring stock, or "going private".	_____
_____	19. Increase the yields to stockholders.	_____

(1) H = High, M = Medium, L = Low

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ESOP OBJECTIVES AND BENEFITS

Primary Objectives

The following illustrate the most common potential uses of employee stock ownership plans. Please rank in order of priority those applications which interest you.

Rank Objective

- _____ Increase cash flow by creating tax deductions with stock and/or cash contributions.
- _____ Transfer business to key employees on a tax-favored basis.
- _____ Refinance existing debt at more favorable rates with pretax dollars.
- _____ Create a tax favored market for shares of stock held by current shareholders.
- _____ Estate planning (both before and after death) for one or more shareholders.
- _____ Increase employee motivation and productivity through ownership participation.
- _____ Create an alternative to sale of the company to outsiders or to a public offering.
- _____ Divest a subsidiary -- acquire an existing subsidiary or division -- or finance the acquisition of a company or business.
- _____ Convert existing pension/profit sharing plan(s) from pure expense items to tax-saving or corporate finance vehicles.
- _____ Charitable giving.

This Transaction

Please describe the potential transaction in which you feel an ESOP may be useful (e.g., "Majority shareholder is in his late 60s and we need to prepare for succession" or "Use ESOP to refinance \$1.5 million of existing debt," or "Buy out uncooperative minority shareholder," or "Increase company cash flow by reducing taxes and/or cash-based retirement plan costs," etc.). Please be as specific as you can.

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