

A \$20.9 Million Cash Increase for an Already Profitable Texas Business Owner

ASC Partners implemented a capital structure developed and continually refined since 1996, generating an additional \$18.5 million in after-tax business cash and \$2.4 million in employee retirement benefits over eight years. The \$20.9 million total increase was achieved while the Texas owner retained full ownership and control of the operating businesses.

CUMULATIVE RESULT / EIGHT YEARS

\$20.9M

TOTAL ECONOMIC BENEFIT

\$18.5M MORE BUSINESS CASH

+ \$2.4M EMPLOYEE BENEFITS

WITH ASC PARTNERS

\$96.8M

WITHOUT ASC PARTNERS

\$78.3M

THE BUSINESS AND STRUCTURAL CONTEXT

A Texas business owner with multiple established companies was generating approximately \$80.9 million in annual revenue and \$11.3 million in taxable business profits. Operating in intensely competitive markets, the businesses maintained a 14 percent pretax profit margin and paid approximately \$3.4 million annually in business income taxes.

The owner believed the competitive environment limited opportunities to increase profitability. ASC Partners recognized a substantial opportunity to improve the businesses' cash flow by reducing taxes on the profits they were already earning.

ASC Partners implemented Strategic Capital Architecture™, using a capital structure its principals had employed in more than 280 transactions. Grounded in ERISA and federal tax rules governing ESOP-owned S corporations, the restructuring enabled the Texas businesses to recapture approximately 70 percent of their annual income taxes on an ongoing basis, while the owner retained full ownership and control of the operating companies.

In the first year alone, the businesses retained \$1.8 million in additional after-tax cash, net of taxes and fees.

IMMEDIATE IMPACT

\$1.8M ADDITIONAL FIRST-YEAR BUSINESS CASH, NET OF TAXES AND FEES

IMPLEMENTATION AND ECONOMIC RESULTS

The additional cash gave the businesses more money for working capital, equipment purchases, expansion, acquisitions, and other strategic objectives.

By the end of year eight, cumulative after-tax business cash reached \$96.8 million with ASC Partners, compared with \$78.3 million without ASC Partners. The difference represented \$18.5 million in additional after-tax business cash, approximately 24 percent more over the eight-year period.

The restructuring also provided employees with \$2.4 million in additional retirement benefits, without requiring them to contribute any of their own money. This brought the total combined economic benefit to \$20.9 million over eight years.

CUMULATIVE AFTER-TAX BUSINESS CASH

WITH ASC PARTNERS

\$96.8M

WITHOUT ASC PARTNERS

\$78.3M

+\$18.5M

ADDITIONAL BUSINESS CASH / APPROXIMATELY 24% MORE

SHOULD YOUR BUSINESS BE RETAINING MORE OF ITS EARNINGS?

If your business generates substantial taxable profits, ASC Partners can determine whether Strategic Capital Architecture™ would allow you to increase after-tax cash while preserving your ownership and control.

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Illustrative case study based on an actual ASC Partners implementation. Certain identifying and background facts have been modified to preserve confidentiality. Figures reflect cumulative results 8 years after initial restructuring.