

Godshall's Quality Meats, Inc. Creates Employee Owners through a Sale of Shares to an ESOP

Company Overview

Godshall's Quality Meats, Inc. ("Godshall's"), headquartered in Telford, PA, has been manufacturing high end meat and poultry products since 1945 including natural/organic products. Now in its third generation of leadership, Godshall's remains dedicated to supplying premium meat specialty items to their loyal customers. Godshall's state-of-the-art facilities, a model of cleanliness and quality, still reside on the farm site of the Godshall family. Its renowned Turkey Bacon, Beef Bacon and meat snack line can be found on store shelves throughout the United States.



Situation

As a third generation family owned business, the owners were seeking a mechanism to:

- Tax-efficiently unlock liquidity in a highly successful business;
- Maintain ownership and control; and
- Reward employees for helping to build Godshall's into what it is today

Solution

SES professionals were engaged by Godshall's to determine whether selling a minority ownership stake to a newly established employee stock ownership plan (ESOP) would accomplish the goals the owners set out to achieve. A feasibility analysis showed that not only could the owners achieve an extremely tax-efficient liquidity event, but that the tax savings from the annual ESOP contribution and the cash flow savings from funds that were previously going to pay taxes went a long way toward paying off the debt utilized for the liquidity event. After reviewing the feasibility analysis, the company ultimately decided that an ESOP would be the right fit and engaged our team to implement the ESOP.

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As part of the engagement:

- Raised the debt financings with:
 - a higher borrowing base
 - a lower interest rate
 - removal of mortgages on related party debt
 - no personal guarantees
 - elimination of prepayment penalties
 - better overall terms and conditions
- Helped to create the transaction structure that allowed for a tax-free liquidity event; and
- Negotiated with the ESOP Trustee on the sale of a minority ownership stake in the company to the ESOP

