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## ULTIMATE ESOP SUCCESS

*I* have entitled this chapter “Ultimate ESOP Success” because I think it is the best representation I’ve seen of Louis Kelso’s dream of ESOPs enabling more Americans to accumulate capital. (Louis Kelso was the investment banker and economist generally credited with creating ESOPs.) This is the story of how an ESOP ignited a serial entrepreneur and how the ESOP benefited his employees and literally thousands of charitable beneficiaries.

Jack, the business owner, grew up in a rural community. His parents instilled a work ethic and entrepreneurial courage that laid the foundation for his success.

In college he pursued an accounting degree, then worked in pharmaceutical sales and accounting. At the age of 25, Jack went to work as the controller of a company that managed seven nursing homes. Then, without warning, came a pivotal moment that would transform him from a businessman to a leader.

On a Friday evening, the entire staff of one of the nursing homes staged a walk-out, leaving 110 elderly patients uncared for. He gathered his wife (who had a bit of nursing training) and a couple of employees from the corporate staff and they began calling people to ask for help. They managed somehow to pull in enough people to take care of the patients that weekend.

The owner of the company was so impressed with Jack's work that he made him president of the company at age 27. Soon he was growing the company by making acquisitions and building new nursing homes. Within a year the company had doubled its facilities and become very profitable.

After two years in this position, Jack resigned and started his own company managing nursing homes. Within 10 years he managed 20 facilities employing over 3,000 people.

Twenty years in the nursing home business took its toll. Jack was burned out and ready to move on. He started looking for an exit strategy. He considered selling his company, but knew that would mean his corporate management staff would lose their jobs. He didn't like the idea of walking down the street of his small town a rich man and seeing employees who had been loyal to him for years now unemployed.

He was determined to find a better option; a way that would still allow him to get rich but without causing his employees to lose their jobs. Someone mentioned an ESOP as an exit strategy, and he was inspired. He spent a great deal of time researching ESOPs and decided it was the best way for him to achieve his goals.

He created an ESOP for his nursing home management company and sold the company to the ESOP for almost \$50 million. He has now parlayed that into a net worth of several hundred million dollars.

The employees of the nursing homes have benefitted greatly from the ESOP. I have a family member who was able to take early retirement because of the large nest egg accumulated in her ESOP account. Almost all of the residents of the county in which Jack lives have benefitted from the wealth he created by starting the ESOP. He created a charitable foundation that provides scholarships to every high school graduate in the county. The scholarships can be used for a university, community college or technical school education. At this point, there are approximately 350 students in the program, which has an annual budget of \$800,000.

Creating capital for employees was Louis Kelso's dream. ESOPs provide the tax incentives that encourage business owners to fulfill the dream.

ESOPs have the potential to benefit so many by providing capital for business owners, their employees and their communities.