

A Succession Planning Success

When York International, a leading independent insurance brokerage firm in the NYC metropolitan area, was considering business succession planning advice it turned to Danziger & Markhoff LLP.

Robert Kestenbaum, CEO of York, considered many options before deciding to implement an ESOP to purchase a portion of the stock owned by Robert and his fellow shareholders in the Company. "After spending considerable time and energy in analyzing the various options, we determined that an ESOP would accomplish our goals, namely, protecting the jobs of our long standing staff members, maintaining our autonomy as an independent firm, and providing a mechanism for the shareholders to monetize a portion of the value we created in the Company over the last 37 years."

After interviewing several law firms to represent York in establishing the ESOP and to represent it in the transaction, Robert and the rest of the Board of Directors selected Danziger & Markhoff LLP. "We recognized that we needed a firm with deep experience in ESOPs, and we wanted a firm with expertise in pension law, corporate law and estate planning. Not only does Danziger have these areas covered, but the firm also has a Third Party Administration department that administers over 25 ESOPs. This combination made the choice to use Danziger an easy one."

Danziger & Markhoff, along with the other professionals involved in the transaction, designed a plan for Robert and his fellow shareholders to sell 49% of their stock to a newly formed ESOP. The shareholders received a significant amount of cash at closing, effectively diversifying their financial portfolios. Importantly, by retaining 51% of their stock in the Company the shareholders have options in the future to sell more shares to the ESOP which will continue to have significant tax advantages or, if desired, to a 3rd party buyer.

The result of the transaction achieved all of the above goals and more: due to the tax advantages afforded by ESOPs, the shareholders received fair market value for their shares which was in line with the private equity firms and other buyers that had approached the Company. Furthermore, Robert and the other shareholders have the option of not paying tax on the sales proceeds if they elect to invest in Qualified Replacement Property under Section 1042 of the Internal Revenue Code.

Please contact Robert B. Danziger if you would like to explore whether an ESOP is right for your company.

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