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A comfortable niche doing 'estate planning' for ESOPS

Philadelphia Business Journal - by [David Rath](#) Special to the Business Journal

PHILADELPHIA — Judith Kornfeld's business is in a fairly small and esoteric niche, providing financial services consulting to companies with employee stock ownership plans. But that didn't stop the CEO of [ESOP Economics Inc.](#) from topping \$1.1 million in revenue last year, with a three-year growth rate of more than 76 percent.



Judith Kornfeld helps employee-owned companies cash out retiring workers. [View Larger](#)

Kornfeld founded the Center City firm in 1993 to help ESOP companies plan for

future obligations to their employee-owners. "Many are dealing with issues like the baby boomer bubble," she said. "They have a lot of employees who are going to be retiring in the next 10 years. We look at their projected cash flow and earnings and help them analyze alternative ways to fund that obligation."

Kornfeld, who has a law degree from the University of Pennsylvania and an MBA from the [Wharton School](#), said she actually stumbled into the ESOP field in the late 1980s and became intrigued by it. She was working on estate planning and executive benefits for a large, privately owned company in central Pennsylvania that had implemented an ESOP several years earlier by buying 30 percent of the company's stock. The value of the stock had risen dramatically, and some of the remaining shareholders wanted to sell their stock to the ESOP. That required the ESOP to borrow money to acquire the shares, and the bank asked for a projection of the repurchase obligations that were associated with the stock already owned by the ESOP.

Kornfeld developed a model in Lotus 1-2-3 to forecast the repurchase obligations and then worked with the company on strategies for funding the repurchase obligations.

She realized that repurchase obligations were going to pose a challenge to ESOP companies in the future and started prospecting among companies that had ESOPs and formed her own consultancy, which has since grown to seven employees with 500 clients across the country. (About 11,000 ESOP companies operate in the United States.)

When Kornfeld set out on her own, her plan was to be a solo consultant, with no employees or payroll to meet. But her need to develop reliable software to use in her own work changed those plans. In 1996 she hired a programmer and an intern from Wharton who was an actuarial specialist.

“We entered what I call software hell for a year and a half,” she recalled with a laugh.

Kornfeld said she got some great advice from Ellen Thompson, CEO of real estate Web development site 4 Walls. “She said don’t just develop it for your own use, but make sure you can license it.”

The result changed the company’s trajectory, because she realized her team had created a viable software product called Telescope, which ESOP Economics quickly began licensing to its customers so that they could figure out their own repurchase obligations.

“Then I had a tiger by the tail. I realized I had to hire someone to do technical support or I was never going to be able to go on vacation,” said Kornfeld, who does yoga four times a week to unwind and walks to work from her home in the Rittenhouse Square neighborhood.

Today the company’s revenue is fairly evenly split between software licensing and consulting, said Kornfeld. “There’s a lot of cross-fertilization. Many work with us first and then license the software and do it themselves. But some software customers ask us to come in and consult.”

One of those customers is King Arthur Flour Co. of Norwich, Vt., which has been an ESOP for 12 years. “It can be hard to get a handle on what your needs for cash are going to be for anything, even putting up a new building,” said Steven Voigt, president and CEO of the baking goods company. “But for these stock repurchases, it’s especially tricky, and the software is a great value.”

Like many of her customers, Voigt met Kornfeld at a meeting of the ESOP Association, a national group of executives at employee-owned companies. She chairs an advisory committee on fiduciary issues and sits on the board of governors. Her tireless work with that group has made her an ESOP “thought leader,” Voigt said. In 2008 she was awarded the group’s Life Service Award, for having held more volunteer leadership positions than any other person in the history of the association.

Growth is a challenge for a company in such a tiny niche.

“We are never going to be huge, but that’s fine,” she said. “If we double the size we are now, we will all be comfortable with that size.”

To gain visibility, Kornfeld speaks at national conferences and writes articles. And referrals are key.

She said her greatest challenge is managing a growing staff. “I feel more comfortable with the intellectual capital and marketing. People skills is where I think I am weakest and am still learning,” she said, yet in the next breath adds that she has gathered a talented staff of dedicated people, so she feels like she’s succeeding on that front “in spite of myself.”

Voigt of King Arthur would agree.

“She is as much of a people person as a problem solver,” he said. “She seems to get psychic income from helping other people, which I think is great.”

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