

Company Profile: Max Auto Supply

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At Max Auto Supply Co., a Toledo-based chain of 113 automotive repair stores, CEO Randy Katz's main motivation for adopting an Employee Stock Ownership Plan or ESOP was "to cash out family owners and avoid estate tax." The company had been started by his father and his uncle, Art and Calvin Katz, in the 1950s. The children—Randy Katz, his sister and their three cousins—later took over the business, with Randy Katz running the company day to day.

As this second generation of family owners began entering their 60s, Randy Katz grew increasingly concerned about their potential estate tax burden. "The more I learned about the ESOP structure, the better it looked," he said. An ESOP would enable the five family owners to cash out their shares now and avoid an estate tax bill later.

It also "felt like the right thing to do," Katz adds, for the company's employees, most of whom are mechanics and technicians. "Many of our employees had been with the company for a long time and the ESOP presented an opportunity for the company's employees to accumulate real wealth for their future retirement." Since adopting the ESOP three years ago, the company has seen a large increase in profits, a reduction in turnover, and a greater than expected increase in stock value. Employee retirement accounts are growing at what Katz describes as "an exceptional rate."

There are more than 150,000 automotive repair shops operating in the United States with a combined annual revenue of more than \$100 billion. For other retiring owners of auto repair businesses, the Katz family's experience transitioning ownership of Max Auto Supply to their employees through an ESOP offers important lessons. At Max Auto Supply, the ESOP provided a succession strategy that brought compelling benefits for the selling family owners, for the company's workers, and for the company itself.