CHARTING YOUR EXIT

A Strategic Roadmap to Valuing, Selling, and Transitioning Your Business

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PART OF THE

CHARTING OPPORTUNITIES SERIES

CHARTING YOUR EXIT

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INTRODUCTION

For many entrepreneurs, the ultimate culmination of years, often decades, of relentless hard work, innovation, and risk-taking is the successful sale and transition of their business. This pivotal event isn't just a transaction; it's a significant life milestone, unlocking new opportunities and defining a substantial part of your legacy. Yet, the path to a rewarding exit is complex, filled with critical decisions, potential pitfalls, and high stakes. How do you navigate this intricate journey to ensure you achieve the best possible outcome?

Welcome to **Charting Your Exit: Expert Insights on Valuing, Selling, and Transitioning Your Business.** This specially curated volume from our "Charting Opportunities" series brings together four distinct but interconnected expert perspectives, designed to provide you with a comprehensive roadmap for one of the most important undertakings of your entrepreneurial career.

Inside these pages, you'll gain invaluable knowledge from:

- **Part 1: Understanding Your Business's True Worth with Robert Snowden.** Laying the essential groundwork, Robert, a seasoned valuation expert, demystifies how businesses are valued, what truly drives their worth, and how to prepare your company financially for the scrutiny of a sale.

- **Part 2: Navigating a Private Equity Sale with Jay Ripley.** Delving into a prominent exit strategy, Jay, an experienced private equity insider, offers a clear view of what PE firms seek, their operational playbook, the mechanics of their deals, and how you can strategically position your business for a successful PE transaction.

- **Part 3: The Seller's Journey – A Real-World Account with Martin Eveleigh.** Bringing theory and strategy to life, Martin, a successful entrepreneur, shares his candid, firsthand narrative of selling his company. His "hard knocks" story provides invaluable, relatable lessons on the entire sale process, from the initial decision and M&A advisor selection to navigating due diligence, closing challenges, and life post-exit.

- **Part 4: Amplifying Your Impact with Brandon Davis.** Looking beyond the sale itself, Brandon, a leader in philanthropic strategy, illuminates how business owners can leverage their success for charitable impact, particularly through strategic pre-sale giving, aligning financial wisdom with personal values.

This collection is designed to provide you not just with information, but with actionable intelligence. Whether you are years away from a potential sale or actively planning your transition, these expert perspectives will empower you to make more informed decisions, maximize your outcomes, and thoughtfully consider the legacy you wish to create.

Let's embark on this journey to unlock the full potential of your life's work.

PART I

Understanding Your Business's True Worth

CHAPTER 1

Why Planning Your Exit Takes Time

Imagine this: Twenty, maybe thirty years poured into your business. It's not just your livelihood; it's your legacy, your nest egg, the key you forged to unlock financial freedom in retirement. You always figured you'd exit on *your* terms… when the time felt right, maximizing the value of your life's work.

Then, the unexpected slams you like a WWE suplex:

- A sudden heart attack forces your hand
- A disruptive competitor—or a global pandemic—decimates your market overnight
- A key partnership implodes, or maybe a divorce decree demands liquidation *now*

Suddenly, you're forced to sell, ready or not, often under immense pressure.

And without years of careful preparation, without a strategic plan in place… Seriously? C'est la Vie.

That's when unprepared owners get taken to the cleaners, watching the business they bled for get sold off for pennies on the dollar, leaving their retirement dreams shattered.

This nightmare scenario is far more common than you might think. It underscores a critical point many business owners dangerously overlook.

According to Robert Snowden, Founder and Managing Director of the independent business valuation firm South Park Advisors: **proactive exit planning isn't a luxury, it's a necessity, and it takes time.**

Based on his extensive experience valuing hundreds of businesses across numerous industries, Snowden observes that this essential planning is surprisingly rare.

"What I can tell you from my experience is about 1 in 25 [business owners] are active in their estate planning and their business succession planning," he notes.

Too often, owners delay thinking about their exit until one of those triggering life events forces their hand. That’s not how we want you educated. Hence this book.

This reactive approach almost guarantees a suboptimal outcome. "That business owner wants to exit the business immediately," Snowden explains, "and that's often at a critical time, at a cost that they're willing to take a... discounted price on their business just to get to the next stage of their life."

The reality?

Developing a robust, well-thought-out succession or exit plan typically isn't an overnight process.

"In general, it takes about 3 to 5 years to develop a good succession plan," advises Snowden.

This time frame allows you to strategically prepare the business, explore your options thoroughly, address potential roadblocks, and align your business exit with your personal financial goals and desired lifestyle post-exit – a crucial step often guided by your financial planning team.

This Part from our "Charting Opportunities" series delves into the insights Robert Snowden shared on understanding your business's value and the critical steps involved in planning for a successful transition.

Ready to begin?

Let’s start by exploring who needs to be on your team as you embark on this journey.

CHAPTER 2

Assembling Your Exit Team

Recognizing that exit planning is a multi-year journey, not a last-minute scramble, is *the first step*.

The second is realizing you don't have to – and shouldn't – navigate it alone.

Selling a business or transitioning ownership involves complex financial, legal, and strategic considerations.

Putting together the right team of advisors early in the process is critical to protecting your interests and maximizing your outcome.

In his talk on Charting Opportunities, Robert emphasized that a successful exit requires a coordinated effort from several key professionals.

"It's very important to understand that there are a lot of things that go on when you're trying to sell a business and get to retirement," says Robert.

Here are the core members he identifies for your essential advisory team:

1. **Valuation Advisor or M&A Professional:** Understanding the realistic value of your business is fundamental. Whether it's establishing a baseline value years in advance or getting expert guidance through a sale process, a business valuation specialist or an M&A (Mergers & Acquisitions) advisor provides crucial insights into what your business is worth and how to position it effectively for potential buyers.

Their expertise helps set realistic expectations and informs your entire exit strategy.

2. **CPA / Accountant:** Selling a business has significant tax implications. Your Certified Public Accountant (CPA) plays a vital role in analyzing these consequences *before* a transaction occurs.

As Robert notes, "Okay, we have to sell the business, so what are the tax implications...? There may be ways to structure that transaction so that... it's tax advantageous."

An experienced CPA in business exit planning can help you explore different deal structures to potentially minimize the tax burden associated with the sale.

3. **Corporate Attorney:** A business sale involves intricate legal contracts, negotiations, and potential liabilities. Your corporate attorney is essential for safeguarding your interests throughout the process. They draft and review purchase agreements, navigate the complexities of representations and warranties ("reps and warranties"), and *ensure the correct handling of all legal aspects of the deal to protect you both during and after the sale.*

"You know, to help you, to protect the deal, to protect you against the reps and warranties... and cover all legal aspects," Robert explains.

4. **Financial Planner:** While the other advisors focus heavily on the business and the transaction itself, your financial planner connects the outcome of the sale to your personal financial life. Their involvement is crucial *both before and after* the ink dries on the deal.

Pre-sale, they help you determine the "magic number" – the net proceeds you realistically need from the sale to achieve financial independence and fund your desired retirement lifestyle. This analysis informs your negotiation stance and exit timeline.

Post-sale, as Robert highlights, the planner's role becomes paramount: "Once you do achieve that successful sale, you need to bring your [financial planner] in to help you manage those proceeds to ensure that you're going to live comfortably into retirement."

This involves more than just managing investments; it includes developing a comprehensive financial strategy for your proceeds, considering tax implications, income needs, risk management (like healthcare costs), and integrating the liquidity event with your overall estate plan.

Working with a dedicated fiduciary firm, like **Portus Wealth Advisors**, ensures you receive objective advice and a holistic plan designed solely around your best interests, helping you transition from successful business owner to financially secure retiree.

Building this team isn't about adding expense; it's about making a strategic investment in the success of your exit. Each advisor brings specialized knowledge to the table, creating a comprehensive support system designed to help you navigate the complexities of transitioning out of your business on the best possible terms. And in building this team, make sure you have teammates who are willing and able to communicate effectively between all parties.

CHAPTER 3

Exploring Your Sale Options:

Beyond a Single Buyer

When business owners start contemplating an exit, their thoughts often gravitate towards a single, specific scenario – perhaps selling 100% of the company to a known competitor or a private equity firm that reached out.

While this is one possibility, *it's crucial to understand that the landscape of exit options is broader than many realize.*

Thinking through these alternatives early in your planning process can open up paths you might not have considered and help align the exit strategy with your specific financial *and* non-financial goals.

Robert points out that owners aren't limited to just one type of buyer or transaction structure.

"A lot of the times, I'm just focused on one potential buyer... not necessarily thinking that there are other options," is a common mindset he encounters.

He outlines three primary categories for selling your business:

1. **Selling to Insiders:** This involves transitioning ownership to individuals already within the company, typically a key management team or specific key employees who have deep knowledge of the business operations and culture.

This path often appeals to owners concerned about the company's future direction and the continuity for their team.

2. **Selling to an Outside Buyer:** This is perhaps the most commonly envisioned scenario, involving a sale to an external third party. This buyer could be a strategic acquirer (like a competitor or a company in a related industry looking for synergies), a financial buyer (like a private equity group focused on financial returns), or another independent investor.

As Robert suggests, this is the route most often pursued by owners "that are looking to really just maximize the value of their business."

3. **Selling to Employees via an ESOP:** An Employee Stock Ownership Plan (ESOP) offers a unique way to sell the company to its employees as a group, often providing significant tax advantages for the selling owner and the company itself.

While Robert cautions that "not every company is perfect for an employee stock ownership plan," he notes that for businesses with the right criteria and culture, ESOPs "tend to perform very well."

Each of these paths carries its own set of pros, cons, and typical deal structures that need careful consideration. The "best" option isn't universal; it depends entirely on your priorities that you'll need to review with your "exit team".

Robert observes a common sentiment, particularly among owners in the Carolinas: deep concern for the well-being of long-term, loyal employees.

"They're really worried about, you know, Richard and Barbara, the employees that have worked with them for 20 or 30 years, what's going to happen... when I retire."

For owners where legacy and employee welfare are paramount, options like management buyouts or ESOPs often hold greater appeal than simply chasing the highest possible dollar figure from an outside buyer.

Thankfully, Robert adds, "Certainly there are ways that you can structure the sale of your business to ensure your legacy and to keep that business potentially moving forward so that it does benefit the employees in the future."

Understanding these different avenues – selling internally, externally, or to your employees broadly – is a critical part of the multi-year planning process discussed in Chapter 1. It allows you to weigh your desire for maximum value against your goals for your legacy and your team's future, ultimately guiding you toward the exit strategy that fits your unique circumstances.

CHAPTER 4

Demystifying the Valuation Process

You've decided it's time to get a clearer picture of what your business is worth.

Maybe you're taking that crucial first step in your 3-to-5-year exit plan, considering one of the sale options discussed in the last chapter, or maybe you need a value for estate planning or incentivizing key employees. Whatever the reason, the prospect of a formal business valuation can seem daunting – a complex process shrouded in financial jargon and complicated spreadsheets.

However, according to Robert, a thorough and meaningful valuation goes far beyond just plugging numbers into formulas. It's a process rooted in understanding the unique story and circumstances of your specific business.

What should you expect when you engage a valuation professional?

First, expect them to ask *why*. "A good valuation professional will try to understand what you're trying to accomplish and structure the engagement around meeting those objectives," Robert explains.

Before diving into financial statements, they'll want to know the purpose of the valuation.

- Planning an imminent sale?
- Gifting shares to family?
- Setting up an ESOP?
- Resolving a shareholder dispute?

The "why" dictates the scope, the level of detail required, and potentially even aspects of the valuation approach itself.

Once the objectives are clear, the information gathering begins. This typically involves requesting historical financial statements, tax returns, operational details, and potentially forecasts or budgets.

But it's not just about collecting raw data.

The goal, as Robert puts it, is for the valuation team to become "situational problem solvers."

They need to dig deeper to understand:

- What is the business doing well?
- What are its challenges?
- What are the current economic and industry conditions impacting the company?
- Where is the company realistically headed in the next few years?

This analysis isn't done in a vacuum.

Direct input from the business owner is invaluable. "We like to get on a call or a series of calls to talk with the business owners to understand more about the business," Robert says.

Why?

"No one understands the business better than you."

These conversations allow the valuation expert to hear your perspective on the company's strengths, weaknesses, opportunities, and threats, while simultaneously developing their own independent, objective view.

Ultimately, a credible business valuation synthesizes the quantitative financial data with the qualitative realities of the business – its market position, management strength, operational nuances, and future outlook, all viewed through the lens of the specific purpose for the valuation. It's a collaborative process designed to arrive at a well-supported and realistic understanding of value, grounded in the specific facts and circumstances surrounding your company.

CHAPTER 5

How Value Is Determined:

Key Valuation Approaches

Once you establish the "why" behind your valuation and your advisor has gathered the necessary information (as discussed in Chapter IV), the next step is to determine the assessment of the value.

While every business is unique, valuation professionals generally draw from established methodologies.

Robert explains that while there are different ways to value a business, one factor stands above most: *cash flow*.

"All businesses, for the most part... are valued predominantly on the underlying cash flows of the business," says Robert.

This is the core of what's known as the *Income Approach*. But understanding cash flow for valuation purposes often requires a shift in mindset for business owners.

The Income Approach: Cash Flow is King

Throughout the year, your priority as a business owner is often, quite rightly, to "minimize [your] tax burden."

This can involve various legitimate strategies, including how you structure owner compensation or how you run certain expenses through the business.

However, when it comes to selling, the perspective flips. "When you're selling a business, what you really want to be doing is maximizing your cash flow potential," Robert advises.

This is where the concept of "add-backs" or "normalizing adjustments" becomes critical. A potential buyer is interested in the true earning capacity of the business.

Your valuation advisor will work to identify expenses that might not continue under new ownership, or income that isn't being fully reflected.

Examples include:

- **Above-market owner's compensation:** If you're paying yourself a salary significantly higher than what a replacement manager would command.
- **Discretionary spending:** Personal expenses run through the business that a new owner wouldn't incur (e.g., personal travel, non-business-related vehicle expenses).
- **Non-recurring expenses or income:** One-time costs or windfalls that don't reflect ongoing operations.

The goal is to arrive at a "realizable cash flow" – what a buyer can reasonably expect the business to generate. Robert cautions that if there's "non-reportable income, it's going to be difficult for you to get value for that if the business owner can't identify it and recognize that it's real."

Within the income approach, there are two main ways to look at cash flows:

- **Using Historical Performance:** For businesses with a stable and predictable track record, "we can look at history as a proxy for future results," Robert explains. This often involves averaging normalized cash flows over a few years.
- **Discounted Cash Flow (DCF) Analysis:** For businesses that are "growing and adding new product lines and... locations," a backward look isn't sufficient. A DCF analysis forecasts future cash flows for a period (often 3-7 years) and then discounts them back to their present value.

> While Robert acknowledges that forecasting "makes business owners very uncomfortable," especially beyond a year or two, it's a necessary tool for capturing the value of anticipated growth based on current strategies and market conditions.

The Asset-Based Approach: Establishing a Floor

Another way to value a business is the *Asset-Based Approach*.

Robert describes this as simply taking "and mark[ing] to market the assets and liabilities that are on the balance sheet. And what falls out is your equity value." This approach looks at the tangible and intangible assets the company owns, less its debts.

For most profitable operating businesses, Robert clarifies that "net asset value really represents a floor value."

The aim is to demonstrate that your business generates value above and beyond the sum of its individual assets. If the cash-flow-based value of your business is less than its net asset value, it raises a tough question.

As Robert puts it, "an argument can be made in some circumstances that the business may be worth closing down because you can realize value from your assets more than from its cash flow generating capacity."

In essence, if the business isn't profitable enough to justify its existence beyond its liquidation value, it might mean you're "just making a living" rather than building transferable enterprise value.

Understanding these core approaches helps you appreciate how a valuation professional arrives at their opinion of value, and highlights the critical importance of clean financials and a clear focus on sustainable, demonstrable cash flow as you prepare your business for an eventual exit.

CHAPTER 6

Fair Market Value vs. Strategic Value:

What's the Difference?

"What's my business worth?"

You might hear numbers thrown around for similar businesses or have a figure in your head that you believe your company should command. However, Robert emphasizes that it's "not beneficial for a business owner to necessarily get locked in on a particular value because... value changes again based on the type of buyer that may be interested in the business."

Understanding the difference between Fair Market Value and Strategic Value is crucial.

Fair Market Value (FMV)

Robert explains that Fair Market Value typically assumes a *financial buyer*. "It's somebody that's going to come in and they're going to operate that business in the same manner that you do currently."

The classic definition of FMV envisions a scenario with:

- A willing buyer and a willing seller, neither under compulsion to act.
- Both parties having reasonable knowledge of all relevant facts.
- An open and unrestricted market.

FMV represents what a rational financial investor, focused on the business as a standalone entity, would pay for its expected cash flows and assets.

"We're going to come to the table and we're going to... understand all the aspects of how the business operates. And we're going to come up with a value that's fair and reasonable to both of us," Robert describes.

Strategic Value

Strategic Value arises when a particular buyer can gain unique advantages from acquiring your business that go beyond its standalone operating performance.

"A strategic buyer is typically an industry participant, and sometimes a private equity group," says Robert.

This type of buyer isn't just looking at your business "as-is"; they're evaluating how it fits into their larger plans.

The key driver for strategic value is **synergy**. Strategic buyers are often "looking at your business to purchase it because they're saying, well, there's some synergistic benefit," Robert explains.

This could mean:

- **Increased Revenues:** Access to your customer base, cross-selling opportunities, or expansion into new markets.
- **Decreased Expenses:** Economies of scale, elimination of redundant overhead, or improved operational efficiencies by integrating your business into their existing infrastructure.

Because these synergies can lead to "greater cash flow" for the acquirer than your business could generate on its own, **"a strategic buyer is willing to pay more than a financial buyer because they can realize benefits that a financial buyer cannot."** This premium can sometimes be substantial, especially in dynamic sectors like technology.

But… there's a catch.

"The problem with... trying to estimate strategic value is its value specific to the buyer," Robert cautions. "So if the buyer doesn't tell you what their true motives are, you can't necessarily predict what that price is going to be."

The negotiation dynamic can also differ.

While FMV often implies a more open exchange of information, a strategic acquisition can feel more guarded.

Robert paints this picture: "You've got a business you want to sell. I want to buy that business. You're going to disclose only the information that I asked for. And I'm only going to tell you what you need to know in terms of how I'm going to use the business. And we're going to negotiate. And there's often a winner or a loser in that situation."

If your business commands a significant premium over its Fair Market Value in such a deal, the seller is often the "winner" from a financial perspective.

While a baseline valuation might establish Fair Market Value, the potential for Strategic Value depends heavily on finding the right buyer whose unique position allows them to unlock additional benefits from acquiring your company.

CHAPTER 7

What Different Buyers Look For

Knowing that financial buyers and strategic buyers approach acquisitions with different end goals (as discussed in Chapter 6), it follows that they also scrutinize different aspects of your business during their evaluation. While some overlap exists – every buyer wants a fundamentally sound business – their primary focus areas can vary significantly.

Robert sheds light on these differing priorities.

What Financial Buyers Prioritize:

Financial buyers, often private equity groups or individual investors, primarily focus on the business as a standalone investment. Their goal is to generate a return on their capital through the company's ongoing cash flows and eventual resale. According to Robert, two critical factors top their list:

1. **Continuity of Management:** "That's the big one," Robert emphasizes. "Who's going to run the business if I buy the business?" If the current owner is central to all operations and relationships, and there isn't a strong management team capable of running the company independently, it's a major red flag. "We've seen a lot of great cash flowing businesses that don't sell because... the business owner is the key person and they haven't built out their management team."

Preparing for a sale to a financial buyer often means demonstrating that the business can thrive without your daily hands-on involvement.

2. **Quality of Financial Information:** Clean, reliable, and timely financials are paramount. Financial buyers will conduct thorough due diligence on your numbers. If your books are messy, outdated, or require significant re-working to understand, it erodes trust and can derail a deal. Robert notes that for businesses under $10 million in revenue, his firm often spends considerable time "just deciphering and untangling financial statements before we even begin valuing the company."

ON the flip side, businesses with robust financial reporting, often managed by an internal controller or CFO and reviewed by a reputable CPA firm, present a much more attractive and transparent proposition, making for an "easier sale."

What Strategic Buyers Prioritize:

Strategic buyers, typically other companies in your industry or a related one, are looking for acquisitions that offer more than just a financial return. They want a business that will enhance their existing operations or market position.

Robert highlights two key areas they often focus on:

1. **Cultural Fit:** Surprisingly, this can be a primary concern. "Believe it or not... a strategic buyer might be looking at mainly a cultural fit," Robert reveals. If an acquirer plans to integrate your company into their existing structure, they need assurance that your team, values, and way of operating will mesh with theirs. "One of the things that can impact the value of a business... is whether or not the next business in is going to fit. It can have big financial implications and we've actually seen situations where companies have had to unravel because of the lack of cultural fit."

2. **Synergistic Benefit:** Beyond culture, strategic buyers are laser-focused on the specific synergies your business brings to the

table. What unique advantage will your company provide them?

As Robert asks, "Is it a system? Is it a process? Is it a product? Is it services? Is it people?" He provides a compelling example: "We valued a manufacturer of a pipe company that had the small end of the market and the large end of the market, but they didn't have... the middle of the market. And they paid a really great price to acquire a private closely held company that filled that hole. And so they expanded their capabilities to offer piping across their entire customer base." This targeted acquisition directly addressed a strategic gap for the buyer.

Understanding these distinct buyer priorities is invaluable. If you're aiming for a sale to a financial buyer, strengthening your management team and ensuring impeccable financial records are key. If a strategic acquisition is more likely, consider how your company culture aligns with potential acquirers and what unique assets or capabilities you offer that could create significant synergistic value for them.

CHAPTER 8

Cleaning Up the Books:

Common Issues that Impact Value

For many privately-owned businesses, the lines between personal and company finances can sometimes blur over the years. For example, you may hold certain assets within the company for convenience, or expenses handled in ways that make perfect sense for a closely-held entity but can confuse or concern potential buyers.

When preparing for a valuation or an eventual sale, it's crucial to "clean up the books."

Robert highlights several common areas that often need tidying up to present a clear, transparent picture of the business's operational value.

"Some of the top issues," Robert begins, involve how you hold assets and how you categorize expenses. Addressing these proactively can smooth the valuation process and strengthen your negotiating position.

1. **Non-Operating Assets and Excess Cash:** Many business balance sheets carry assets that aren't essential to the company's core operations. Robert mentions seeing everything from "artwork" and "four plus million dollars in excess cash parked away for a rainy day" to, in some cases, "not one Learjet, but there's been two Learjets."

    - **Why it's an issue:** These non-operating assets (which can also include real estate not used by the business) typically don't contribute to the company's day-to-day revenue generation and are usually excluded by buyers when valuing the ongoing operations. "Any assets on the balance sheet of the business belong to the shareholders of the company," Robert points out.

- **The fix:** "You're going to have to either do it before, sooner, or later," he advises, referring to removing these items from the business. This might mean distributing excess cash to shareholders or moving non-operating assets to a separate holding entity before a sale, as "obviously those aren't the items that you want traveling with the sale of the business."

2. **Related-Party Transactions:** These occur when the business transacts with the owner, their family members, or other companies they own.

- **Salaries to non-active family members:** It's not uncommon for family members who aren't actively involved in the business to draw salaries. *Pre-exit, Robert advises, "It's good to get that off your books."*
- **Non-market rate rent:** Owners often hold the company's real estate in a separate legal entity (which is generally a good practice). However, the rent paid by the operating business to that related entity might be above or below the fair market rate. This needs "cleaning up" by adjusting the rent to what an unrelated third party would typically pay or receive.

3. **Discretionary or Personal Expenses:** Over time, various personal or discretionary expenses can find their way into the business's financial statements. Robert lists common examples: "family trips that have booked on the business, car related expenses... college fees, country club memberships."

- **Why it's an issue:** While these may have been managed for tax efficiency during ownership, a buyer will see them as non-essential to running the business and will typically "add them back" when calculating true operational cash flow. However, a long list of such items can also raise questions about the quality and discipline of financial management.
- **The fix:** Identifying and minimizing these discretionary expenses well in advance of a sale presents a cleaner, more professional financial picture.

"It's better to run lean and mean, especially as you get closer to a potential exit," Robert concludes. By addressing these common issues, you remove distractions, reduce complexities for potential buyers, and ensure that the valuation reflects the true, ongoing earning power of your core business operations.

CHAPTER 9

Leveraging Debt Wisely

For many business owners, especially those who've built their companies from the ground up through careful cash management, the idea of taking on debt can be unsettling. Robert observes this particularly in the Carolinas, noting that "a lot of business owners [are] very debt averse."

While caution is understandable – and "there are certain situations where companies become over leveraged and it starts to work against them" – he argues that completely shunning debt means missing out on a powerful financial tool.

"Debt is not bad if debt is used correctly," Robert asserts.

The key, he explains, lies in understanding a fundamental financial principle: **"Debt is way cheaper than your equity."**

To illustrate, Robert offers a typical comparison for a middle-market company:

- **Cost of Equity:** This is the return shareholders expect for their investment and the risk they're taking. It can often be in the range of "18 and 22 percent," according to Robert.
- **Cost of Debt:** The interest paid on borrowed funds is typically much lower, perhaps "4, 5, 6, 7 percent."

This significant difference in cost makes debt an attractive vehicle for leverage. "If you can borrow and leverage new assets to organically grow the business, then you are doing it at a much cheaper rate [and] you're earning a greater rate of return than if you just use the cash out of the business," Robert explains.

In other words, using intelligently borrowed funds for growth initiatives (like purchasing new equipment or expanding facilities) can generate returns that far exceed the cost of borrowing, ultimately enhancing the business's value more efficiently than if you had only used your own cash reserves (equity).

Robert also addresses a common psychological hurdle for cash-rich business owners: the reluctance to borrow when they have funds in the bank, especially if a personal guarantee is required.

He recounts a familiar scenario: "Sometimes I hear, 'Well, Rob, I've got three million dollars of cash in XYZ Bank and I want to borrow this loan and they want me to personally guarantee the loan with the cash I have in the bank. I'm not borrowing my own money.'" His response? "Yes, you are in a sense, but it does help you from a business standpoint to employ financial leverage, especially when it's done in a prudent manner."

The strategic use of debt isn't about reckless borrowing; it's about making calculated decisions to fuel growth and improve returns. When managed prudently, financial leverage can be a key component in scaling your business and increasing its overall value in anticipation of an eventual exit.

CHAPTER 10

Perception Matters:

How Buyers View Operational Gaps

You're intimately familiar with every aspect of your company – including its strengths and, perhaps, some of its internal inefficiencies or areas where systems and processes haven't kept pace with growth.

You might view these as "fixable" issues or future projects. However, when a potential buyer scrutinizes your operations, they see these gaps through a different lens – one that can directly impact the price they're willing to pay.

Robert explains that savvy buyers, much like consumers looking for the best deal, will seek to maximize the value they receive for their investment. If they identify aspects of your business that are "quirky in nature or not like they would expect to see them based on the average industry participant, they may start to use that as a negotiating advantage against you," he warns.

What might seem like an "opportunity for improvement" to you could be framed as a deficiency by a buyer looking to justify a lower offer.

Robert provides a typical example of how this plays out in a negotiation: "A buyer might say, 'John, you know, you've got a great company here, but your systems and processes are really, really bad... and you know, while you're commanding or asking X price, we really feel Y is more important because we're going to have to come in and fix all these issues.'"

In these scenarios, the buyer isn't necessarily "licking their chops" at the prospect of easily fixing these problems and reaping the rewards themselves without compensating you for it.

Instead, "a potential buyer like that is looking to lower the price," says Robert. "And they're going to point to anything that they view is work that could be construed as potentially weak to hit your pain points to drive the price down."

These operational gaps could include outdated technology, inefficient workflows, a lack of documented procedures, or an over-reliance on manual processes where automation would be standard.

Even if your business is profitable, these kinds of weaknesses can signal to a buyer that they will need to invest additional time, effort, and capital post-acquisition to bring the company up to their standards.

The key takeaway is that perception heavily influences negotiation. Proactively addressing operational inefficiencies and shoring up any "under-managed" areas of your business before you enter the sale process can significantly strengthen your position. By minimizing the "fixer-upper" aspects, you give potential buyers fewer leverage points to argue for a reduction in your company's value.

CHAPTER 11

The 3-5 Year Exit Runway: Key Considerations

You've decided to exit your business and have a target timeframe in mind… let's say three to five years. This runway provides a valuable window to prepare, but what are the most important issues to address during this period?

Robert highlights that it's not just about the financial or operational aspects; it's also a journey of significant personal and strategic decision-making.

1. Deciding *Who* You Want to Sell To: This is often one of the most significant considerations for owners. "There are very few that go, 'You know, I just want to be out. I want my proceeds and I want to be done,'" Robert observes. "Most are on a journey to try to figure out how they want to... where they want to leave the business and what they want their legacy to be."

Recapping our discussion from Chapter III, here are the most common options.

- **Insiders (Management Team):** A common preference is to sell to the existing management team. "Coincidentally, what's really interesting is that... a lot of sons and daughters, they don't want to be active in their parents' business," Robert notes.

  So, the trusted management team often becomes the next logical choice. This type of sale is "typically done at fair market value," with the owner often prioritizing a fair price and smooth transition over extracting every last dollar. However, financing can be a hurdle, often requiring the owner to carry a note, and the process to structure these deals and pay down the notes can take a long time, especially in larger businesses.

- **Industry Participants/Third Parties:** If an internal sale isn't feasible or desired, owners might then consider selling to a known competitor or another industry player.
- **Employee Stock Ownership Plan (ESOP):** This option might also come into play as owners weigh their choices.

Robert emphasizes that it "just takes time to work through that process" of evaluating these different paths and what they mean for the owner and the business.

2. Navigating the Emotional Journey and Identity Shift: The prospect of retirement and life after selling the business can be more daunting than many owners anticipate.

"Your identity has been tied to the business, and... you're known in the community as being the CEO of your company," Robert points out. "If you work really hard building the business, then... the prospect of retirement can be something that you might not want to face."

This emotional component often leads owners to "kick this can down the road as long as they can."

Acknowledging these feelings and planning for what your life will look like post-exit is a critical, yet often underestimated, part of the preparation.

3. Understanding Realistic Transaction Timelines: Even after you've decided on a path and are ready to proceed, the sale process itself takes time.

While some might hear that "the average sale takes, you know, six months," Robert’s experience paints a different picture: "What I can tell you from my experience is most go out 18 months." This extended timeline needs to be factored into your plans.

4. Engaging Your Advisory Team Early: Given the complexities of choosing a buyer, structuring a deal, navigating the emotional landscape, and managing lengthy timelines, it's crucial to have your team of advisors (as discussed in Chapter II) in place early.

"While I'm working on these things, I also need to be putting my advisors in place. We need to start talking about these options," Robert advises. This includes your valuation expert, CPA, attorney, and financial planner, *all working together* to help you achieve your desired liquidity and transition successfully.

Planning your exit over a 3-to-5-year period involves a multifaceted approach, balancing strategic business decisions with personal preparedness and a realistic understanding of the time and effort involved.

CHAPTER 12

The Value of a Strong Management Team (and How It's Priced)

We touched on it earlier (in Chapter VII when discussing what financial buyers look for), but it bears repeating: *a strong, capable leadership team that can run the business effectively without the owner's daily presence is **a massive asset**.*

If you, as the owner, are the primary driver of sales, operations, and strategy, your departure can leave a significant void, making the business far less attractive to potential acquirers.

On the flip side, a competent management team that can ensure continuity and drive future profitability is invaluable.

But how is the "value" of this strong leadership team specifically quantified in a business valuation or reflected in the final sale price?

Robert acknowledges this is a common and important question.

While valuation professionals, M&A advisors, and business brokers use their expertise to "estimate value, and we do our best to estimate it," he provides a crucial clarification: **"The reality is that the price for your business will be determined when the hammer... drops, it'll be determined when the market sets the price."**

This means that while a strong management team undeniably enhances the attractiveness and underlying strength (and therefore the *estimated* value) of a business, its direct monetary contribution to the sale price is *ultimately validated by what buyers are willing to pay.*

A business with a stellar, independent management team is likely to attract more interest and more competitive offers.

To truly see that value reflected, Robert advises, "It's good to have more than one buyer." He continues, "Sometimes it works when one buyer comes to the table and it's very mutual, but it's good to have at least three buyers interested in your business so that you can command the market price. And the market will actually set the price."

In essence, while a valuation expert can identify a strong management team as a key asset contributing to lower risk and higher potential future cash flows (which would positively influence their valuation models), *the most tangible "pricing" of that team occurs in a competitive bidding situation*. When multiple buyers recognize the strength and stability offered by a solid leadership team, their offers are more likely to reflect that inherent value, pushing the final price towards its true market potential.

Investing in building a robust management team not only de-risks your business and improves its operational efficiency, it also significantly enhances its appeal to acquirers and positions you to achieve a better market price when it's time to sell.

CHAPTER 13

How Often To Value Your Business

Once you've gone through the process of a business valuation, you might wonder if it's a "one and done" exercise or if you need to update it periodically, much like an estate plan.

According to Robert, the answer isn't a fixed schedule but depends on your specific circumstances, your long-term goals, and what you're trying to accomplish with the information.

Establishing an Initial Baseline:

For many business owners, particularly those whose business represents a significant portion of their net worth, *getting an initial valuation well before any planned exit is highly recommended*.

"If 60 or 70 percent or more of your wealth is in the value of your business and you're 10 years from retirement, it is beneficial to get a valuation so you know where you stand today," Robert advises. He elaborates that "really all your complicated planning... will be around the business."

This initial valuation serves several purposes:

- **Establishes a Foundation:** It provides a concrete starting point for all future financial and exit planning.
- **Reality Check:** "If you get a valuation and it comes in at $20 million, then, you know, at least you know, 'Hey, this is a starting point'".

  This helps you assess whether your current business value can support your retirement lifestyle or if you need to focus on growing it further to meet your goals (e.g., needing to get from $20 million to $30 or $40 million).

Frequency of Subsequent Valuations: "It Depends"

After establishing that baseline, how often should you revisit it? "Well, it depends," says Robert.

- **Significant Business Changes:** "If you valued it, your business... five years ago and your revenues have doubled, it's probably a good idea to get a new valuation because it's likely the valuation of your business has changed."

  Major growth, new product lines, acquisitions, or significant market shifts can all materially alter your company's worth.

- **Stable, Mature Businesses:** Conversely, "if you're mature, relatively stable and you grow around inflation... but your cash flows are good, well, you know, it's probably less of an issue to get a valuation even though it's five years old."

  In these cases, the value might not have changed a lot.

- **Specific Planning Needs:** The most critical factor driving the need for updated valuations is often tied to specific strategic activities. Robert asks, "Are you starting to put your management team up? Are you going to incentivize management through synthetic equity vehicles like stock appreciation rights, warrants, options, so that they're incentivized over the long term to remain at the company while you're planning all these activities? Well, then that's going to require you to get a valuation more frequently."

  Establishing or updating employee stock plans or other equity-based incentives necessitates current, accurate valuations.

While an initial valuation provides an essential benchmark, subsequent valuations are less about a fixed timetable and more about supporting strategic decisions and reacting to material changes in your business. It's a tool to be utilized when new information is needed for effective planning and decision-making on your path to an eventual exit.

CHAPTER 14

Choosing the Right Valuation Expert

Once you recognize the importance of a business valuation, the next critical step is selecting the right professional to perform it.

Not all valuation services are created equal, and the quality of the expert you choose can significantly impact the reliability and usefulness of the outcome. Robert offers clear guidance on what business owners should look for.

1. Experience Matters: "Certainly, experience in our industry matters," Robert states, drawing on his own 25 years and over 2,000 company valuations. "Having experience and witnessing firsthand how business owners make and lose money is an important aspect to being realistic about the value of any business."

An experienced professional brings a depth of understanding that goes beyond theoretical knowledge, having seen various economic cycles and business scenarios.

2. Look for Recognized Credentials: Specific accreditations signal a high level of expertise and adherence to professional standards. Robert recommends looking for individuals holding designations such as:

- **ASA (Accredited Senior Appraiser)** from the American Society of Appraisers.
- **ABV (Accredited in Business Valuation)** from the American Institute of Certified Public Accountants (AICPA).
- **CFA (Chartered Financial Analyst)** from the CFA Institute.

"Those are the only three that I would... say, are really heavy in experience," he advises.

3. Beware of "Too Good to Be True" Offers and Calculators: The old adage "you get what you pay for" often holds true in valuation. Robert cautions against services offering valuations at extremely low rates or relying heavily on automated "valuation calculators."

He shares a cautionary tale: "I was involved in a situation with a business owner... [who] went to a website as part of their buy-sell agreement, input the information, came up with the value of the business, and used that as their negotiation. And it was probably 50% greater in value [than] what the business was actually worth."

The problem?

"It's one thing to have access to a calculator. It's another thing to know how the information should be entered into the calculator," Robert explains, noting he's seen "seven, eight, ten million dollar swings in value with valuation calculators."

Automated tools generally can't "take into account the facts and circumstances and solve the problems and think about the issues and how that impacts the result."

4. Consider Industry Specialization (When Necessary): For most businesses, an experienced valuation professional with general expertise can provide an accurate assessment.

Robert lists "manufacturing, services, tech, distribution, transportation, professional services" as examples.

However, he notes that "certain industries, having somebody specific to your industry like banking... is very specialized... or maybe oil and gas would be another one."

In these highly specialized sectors, an expert with deep industry-specific knowledge is preferable.

Choosing a valuation expert is a critical decision.

By focusing on proven experience, recognized credentials, and a realistic understanding of the effort involved, you invest in obtaining a credible, defensible valuation that can confidently guide your strategic planning and exit strategy.

CHAPTER 15

The Ultimate Benefit:

Knowledge, Planning, and Timing

Throughout our discussion with Robert, a clear theme emerges: a professional business valuation is far more than an academic exercise. It's a strategic tool that empowers owners with knowledge, enables informed planning, and helps optimize the timing of one of the most significant financial events of their lives – the exit from their business. The ultimate benefits are clarity, preparedness, and the potential to avoid costly regrets.

Knowledge is Power: At its core, a valuation tells you "where you stand today." This baseline understanding of your business's worth is fundamental. It moves you from assumption or guesswork – "I think it should be worth X," or "Somebody told me that business sold for Y, so mine must be similar" – to a fact-based assessment.

This knowledge directly influences your strategic thinking about your personal financial future and the business's trajectory.

Enabling Informed Strategic Planning: Once you know your business's current value, you can plan more effectively.

- **Retirement Readiness:** Does the current value support your desired retirement lifestyle? If not, what changes or growth are needed to bridge the gap?
- **Strengths, Weaknesses, Opportunities, Threats (SWOT):** The valuation process itself often illuminates these critical areas, helping you decide "when is the optimal time to exit?"

- **Avoiding the "Chase":** Robert draws a parallel with volatile investments: "I know some individuals... that are very big into investing in cryptocurrency... and they're always chasing. 'Well, you know, I'm up 300%. I just need to be up a little bit more.'" A valuation provides a concrete data point, helping owners make rational decisions rather than endlessly chasing a slightly higher, potentially elusive, peak.

Optimizing Exit Timing – Including Market Awareness: The decision of *when* to exit is multifaceted. A valuation can help you identify opportune moments.

Robert points to economic cycles: "On average, we have a recession every, you know, seven to nine years... At some point, we're gonna have a recession... So you may be in a situation today saying, 'Hey, my business has got great value. I should go now, rather than the two years from now that I've been thinking about to avoid that potential downturn.'" Regular valuations can help you recognize if the market is favorable.

Avoiding the Pitfalls of Delay – Lessons from Experience: Perhaps the most compelling arguments for proactive valuation and planning come from Robert's cautionary tales:

- **The Long Road:** He recounts an owner who, at 78, started with a simple valuation and, after exploring various options, finally sold via an ESOP at age 82. While successful, it highlights that the process "takes time."
- **The Risk of Running Out of Time:** More sobering is the story of an owner who, also starting in his late 70s, is now 82 and "still hasn't been able to come to terms with letting go of the business." Robert fears, "It's likely that he will pass away before the business is sold." This creates a cumbersome and potentially value-diminishing situation for the family left behind. "That's not a situation you want to be in," he stresses.
- **Market Whims:** Another owner saw his business value halve in five years due to market conditions, not poor performance. He wanted to retire but then faced a choice: sell for much less or work another five to seven years to rebuild value.

These stories underscore a vital message: procrastination or being unprepared for unforeseen events can have severe consequences. A valuation provides the knowledge to act decisively and strategically, rather than reactively under duress. It empowers you to take control of your exit process, maximizing your returns and securing your legacy on your own terms.

CHAPTER 16

Practicalities:

Cost, Duration, and Process

Beyond the theories and strategies of business valuation, owners often have very practical questions about the engagement process itself. In the Q&A portion of his discussion on “Charting Opportunities”, Robert addressed some of these common queries, offering insights into typical costs, timelines, procedural steps, and what size of business most benefits from their type of comprehensive valuation services.

Typical Cost and Report Types:

He emphasized that costs "depend on the facts and circumstances," including the complexity of the business, the number of valuation methods needed, any non-operating assets, and the intricacy of the capital structure.

He outlined a few report types:

- **Full Valuation Report:** This comprehensive report details the business's history, operations, finances, economic and industry outlook, and benchmarks financial performance against peers. For a typical small to mid-sized company (e.g., $15-25 million in revenue), Robert indicated a range of around **$10,000 to $12,000**, though it could be higher ($50,000+) for very complex situations.
- **Restricted Report:** This report considers all the same information as a full report but is less extensive in its narrative. For a similar-sized company, this might be in the **$7,000 to $9,000** range. Both full and restricted reports result in a signed, professional opinion of value.

- **Calculation of Value:** Robert mentioned this as a version of a report where the appraiser and business owner agree upon the valuation methods and then calculate the value. However, he stated his firm, South Park Advisors, does not typically issue these, preferring to stand behind their signed opinions in restricted or full reports, as calculations can be problematic for exit planning.

Duration of the Valuation Process:

"Generally, it takes **four to six weeks** from the time we collect the information we need to get started," Robert explained.

He noted that during busy periods, like the height of estate planning, this could extend to six to eight weeks, and potentially even longer (up to ten weeks) heading into busier tax and planning seasons.

The Step-by-Step Valuation Process:

Robert outlined the typical engagement flow:

1. **Initial Call:** To understand the driving need for the valuation, discuss the company, and gather the surrounding facts and circumstances.
2. **Engagement:** If the owner wishes to proceed, an engagement letter is issued, and a retainer is typically required.
3. **Information Request:** A list of necessary documents and information is provided to the business owner. Robert notes, "We ask for a lot of information so that we can learn what you know about the business."
4. **Management Call:** After receiving the initial information, a call (or series of calls) is scheduled with the business owner(s) to discuss the business, financials, and any nuances in greater detail. Follow-up information may be requested.
5. **Draft Report:** A draft of the valuation report is issued to the client.
6. **Review and Discussion:** The client reviews the draft. Robert mentioned two common outcomes: "Either the client looks at it [and] says, 'Yeah, that's exactly what I thought and things look great.' The other might say, 'Hey, do you want to get on a call so

we can discuss this further?'" In the latter case, his team will walk the client through the report.

7. **Final Report:** Once all queries are addressed, the final, signed report is issued electronically.

Business Size Considerations:

While South Park Advisors has valued businesses "all the way down to Main Street businesses that were under a million dollars in revenue," Robert clarified their general focus:

- Their services are generally more suited for businesses with **$5 million in revenue up to $500 million.**
- For very small businesses (e.g., under $1 million in revenue), it's not always cost-beneficial for the owner to engage a firm like his, unless for specific complex purposes like family law. In many cases, a business broker might be a more appropriate resource for valuing and selling these smaller enterprises.
- Businesses in the **$1 million to $5 million** revenue range are "situationally dependent."
- Above **$5 million**, a formal valuation becomes "pretty normal, pretty relevant."

Robert emphasized his firm's candor, stating they will advise owners if another route might be more cost-effective, given their standard hourly rates (Managing Director at $350/hr, Senior Staff at $250/hr, Junior Staff at $150/hr).

CHAPTER 17

A Note on Business Brokers

Throughout the discussion on business valuations, particularly for smaller "Main Street" type businesses (often those with revenues under $1 million), we mentioned the role of a business broker as a potential resource.

During the Q&A, we asked Robert for advice on how business owners should approach vetting these intermediaries, acknowledging the wide range in quality and reputation within the broker community.

Robert admitted it's a "very difficult question," but offered some practical guidance:

- **Seek Recommendations from Trusted Advisors:** This was his primary advice. "Talk to your other professional advisors that you trust... your wealth advisor, your CPA... and say, 'Who would you recommend and why?'" He then suggested interviewing two or three recommended brokers before making a selection.
- **Understand Their Experience and Scope:** Inquire about their track record and experience with businesses similar to yours.
- **Differentiate Their Opinion from a Formal Valuation:** Robert pointed out that a "broker opinion of value... is not a professional business valuation." It's often based on recent transactions of similar businesses or what they believe an SBA (Small Business Administration) lender might finance. Their ultimate goal is to facilitate a sale.

Understanding Broker Incentives:

A crucial point Robert raised was the inherent incentive structure for many business brokers. "Understand that brokers are [often] 1099, they're not W2 employees, so their compensation is driven on deal activity," he explained. "So their goal is, 'I want to maximize value but at the fastest possible transaction so that I can get paid.'"

This can sometimes create what he termed a "competing issue": "Is that broker working in my best interest?"

He shared an anecdote about a situation where a broker argued for a lower business value because it was challenging to get SBA financing at the higher, formally appraised value. In such cases, the broker's need to close a deal might influence their pricing strategy, potentially not always to the seller's maximum benefit.

While acknowledging that there are "really excellent brokers out there," Robert reiterated the importance of diligence. Understanding a broker's reputation and, most importantly, relying on the recommendations of your existing trusted financial and legal advisors can help you navigate this landscape more effectively if you're considering using a business broker for the sale of your smaller enterprise.

PART II

From Understanding Value to Exploring a Strategic Exit:

Considering Private Equity

In Part 1, Robert Snowden equipped us with the essential knowledge to understand and assess the true worth of your business. We journeyed through the core principles of valuation, the importance of clean financials and operational efficiencies, what different types of buyers look for, and how to strategically prepare your company to maximize its value.

With this foundational understanding, you are now better positioned to make informed decisions about your company's future, including how you might one day realize the significant value you've created.

Having established a clear view of your business's intrinsic worth and the factors that drive it, the natural next step for many successful entrepreneurs is to explore concrete pathways toward a strategic exit or a significant capital event. This often involves considering partners or acquirers who can help take the business to its next stage while providing you with a well-earned financial outcome.

This brings us to Part 2, where we dive deep into one of the most prominent and often transformative avenues for business owners: selling to a private equity (PE) firm. Jay Ripley, Head of the Investment Research Group, and Deputy Managing Partner at GEM, who will pull back the curtain on this specialized world, joined our Charting Opportunities series at the end of 2024.

Jay will put you in the shoes of a PE buyer, demystifying what these firms genuinely look for in an acquisition, how they evaluate opportunities, the financial mechanics behind their deals, and the "playbook" they often use to create further value.

Most importantly, he’ll share invaluable insights on how you, as a business owner, can strategically prepare for such a transaction, navigate the process effectively, and position your company to achieve the best possible outcome.

If understanding the mindset and methods of private equity buyers is key to a potential future transaction for your business, then Jay Ripley's insights will be an indispensable guide.

Let's explore the world of private equity.

CHAPTER 1

Demystifying Private Equity: Introducing the Insider

For many successful business owners, the idea of selling to a private equity (PE) firm can seem like entering a complex, high-stakes world shrouded in financial jargon.

- What do these firms actually do?
- What are they looking for?
- And how does a founder-led business fit into their strategy?

In this Part II, we aim to pull back the curtain with insights from Jay Ripley, an industry veteran with deep experience acquiring small to medium-sized businesses across the United States.

Jay grew up in the private equity industry and has more recently, through his involvement with organizations like YPO (Young Presidents' Organization), gained a profound appreciation for business owners, particularly in the Southeast, whom he regards as "the backbone of the American economy."

His goal in sharing his perspective is straightforward: to put you, the business owner, "in the shoes of a private equity buyer" and clarify what they’re looking for when they evaluate opportunities.

The Spectrum of Equity Capital

Before diving deep into the most common type of private equity transaction you might encounter, it's helpful to understand the broader spectrum of how businesses can attract equity capital.

Jay outlines several key categories:

- **Venture Capital (VC) and Growth Capital:** Typically, these investors acquire a minority interest in your business, with the expectation that you, the founder or current leadership, will continue to run and grow it. The capital provided is largely "primary capital"—money that goes directly into the business for a specific use, such as developing a new software product, hiring more engineers, or funding operational losses until a new venture achieves viability. This contrasts with "secondary capital," where an investor buys an existing interest and the proceeds go into the seller's pocket. Fast-moving businesses seek VC and growth equity to finance significant growth initiatives.
- **Mezzanine Financing:** This involves taking on debt capital, usually structured with some equity-like features. Similar to growth capital, it's generally used to fund primary projects like constructing a new building or investing in a new business line, rather than for cashing out existing owners. Businesses might turn to mezzanine financing if they don't have existing senior debt or need more capital than traditional lenders will provide.

Focus of Our Discussion: Leveraged Buyouts (LBOs)

While VC, growth equity, and mezzanine are important financing options, Jay identifies **Leveraged Buyouts (LBOs)** as "the predominant type of private equity financing that’s probably most relevant to you all" when considering a sale of a mature business.

This is where a PE firm typically acquires a controlling interest in a company, using a significant amount of borrowed money (leverage) to finance the purchase, with the company's assets or cash flows often used as collateral.

Understanding the PE Market Landscape

The private equity industry itself is segmented, and understanding where your business fits is crucial. Jay presumes most business owners reading this would fall into the **Lower Middle Market**, typically companies with earnings (often measured by EBITDA – Earnings Before Interest, Taxes, Depreciation, and Amortization, a proxy for cash flow) in the range of $1 million to $30 million.

How companies in this range are sold, and who facilitates those sales, also varies by size:

- **Businesses with under $5 million of earnings:** These are often handled by a "broker." The process might involve wider, less targeted marketing ("blast out to everybody") and relatively light upfront due diligence by the broker themselves.
- **Businesses with $5 million to $20-25 million of earnings:** Sales are typically managed by smaller, often more specialized, investment banks. These banks frequently assist in bringing the *first* institutional owner (like a PE firm) into what has previously been a founder-owned or family-run business.
- **Businesses with $25-30 million of earnings and up:** These companies generally meet the minimum fee requirements for larger, "really prolific investment banks" like Harris Williams, Houlihan Lokey, or Charlotte-based firms such as Black Arch. These banks run highly structured and competitive sale processes.

Understanding this landscape—the types of capital, the focus on LBOs for acquisitions, and the different players involved in selling businesses of various sizes—is the first step in demystifying the world of private equity and preparing for a potential interaction.

CHAPTER 2

The PE Playbook:

What Lower Middle Market Firms Look For

Private equity firms, especially those operating in the "lower middle market" (often targeting companies with $1 million to $30 million in earnings or EBITDA), aren't just passive investors. They are active buyers looking for specific opportunities to apply their expertise and capital to grow and transform businesses. Jay explains that "the name of the game is to try to buy founder-owned businesses where the founder has not optimized the business."

The Typical Target: Untapped Potential

PE firms often find rich opportunities in companies that are successful and profitable but still have significant untapped potential. These businesses frequently share a common profile:

- **Founder-Led:** Often built from the ground up by an entrepreneur who is an expert in their industry but, as Jay puts it, "didn’t go to CEO school. They went to school of hard knocks."
- **"Under-Optimized" Operations:** Because the founder may have been focused on core operations or sales, certain strategic or financial aspects of the business might be underdeveloped.

  Jay highlights several common areas where PE firms spot opportunities:

  - **Pricing Strategies:** The business may have "never pushed price increases on their customers" or based pricing on simple negotiated rates rather than the true value-add of their products or services.

- **Lack of Consolidation:** They may have overlooked opportunities to acquire nearby competitors for logical synergies.
- **Underdeveloped Financial Management:** The company might lack a "real CFO who can actually give them pricing by product." This means they might not know which offerings are truly profitable and which are underperforming.
- **Underinvestment in Talent:** The founder is often a "terrific" force, perhaps with a good second-in-command, but beyond that, key roles may be filled by individuals who are not "super qualified." There's often a reluctance or inability to invest in building a deep management bench.

The Private Equity "Playbook" for Value Creation

When a PE firm acquires such a business, they typically come in with a "playbook" designed to unlock this untapped potential and create value.

This playbook often involves:

1. **Acquisition at a Reasonable Multiple:** They aim to buy the company based on a multiple of its current EBITDA (a proxy for cash flow), often in the range of 4 to 8 times, though this varies based on industry, growth prospects, and revenue predictability.
2. **Implementing Operational and Strategic Improvements:** PE firms often specialize in certain industries or types of business transformations.

Their playbook might include:

- **Driving Price Increases:** Systematically reviewing and adjusting pricing to reflect market value and cost structures.
- **Pursuing Add-on Acquisitions:** Buying and integrating smaller competitors to gain market share and achieve synergies.

- **Optimizing Margins:** Implementing industry-specific best practices. Jay gives an example from the franchisee space: "staff labor based on units, not on based on dollar volume, because if you push price increase[s]..."
- **Professionalizing Management:** Hiring experienced executives (like a CFO) and investing in talent development.

3. **Strategic Exit for a Higher Return:** The ultimate goal, after a period of growth and professionalization (typically 3-7 years), is to sell the now larger, more optimized, and often more predictable business. They aim to "sell it with those larger bankers... where you can kind of dress it up, sell a story and then get a meaningful kind of multiple uplift."

By understanding this common PE playbook, business owners can begin to see their own companies through the eyes of a potential private equity buyer. This perspective can highlight areas for pre-sale improvement or, at the very least, prepare the owner for the kinds of changes a PE partner will likely want to implement.

CHAPTER 3

The Mechanics of a PE Deal:

Understanding Valuation, Leverage, and Returns

To truly understand the private equity perspective, it's essential to grasp the fundamental financial mechanics behind how they structure acquisitions, particularly Leveraged Buyouts (LBOs). Jay explains that it's a relatively straightforward formula, though the inputs can be complex. This understanding can help business owners appreciate how PE firms arrive at an offer price and what drives their investment decisions.

The Core LBO Formula: Enterprise Value, Debt, and Equity

At its heart, a private equity acquisition involves a few key components:

1. **Enterprise Value (EV):** This is the total value assigned to your business. As Jay states, it's typically calculated as "an EBITDA multiple times the EBITDA." For example, if your business has $5 million in EBITDA and a PE firm values it at 6 times EBITDA, the Enterprise Value is $30 million.
2. **Debt (Leverage):** A defining characteristic of an LBO is the use of borrowed money (debt or leverage) to finance a significant portion of the purchase price. "The name of the game is to try to finance as much of it as you can with cheap debt," Jay explains. This debt is typically secured by the assets or cash flows of the acquired company.
3. **Equity:** The remaining portion of the Enterprise Value, after accounting for the debt raised, is the cash equity the private

equity firm (and any co-investors, potentially including the seller rolling over some proceeds) invests in the deal.

So, the basic formula is: **Enterprise Value - Debt = Equity Investment.**

Why Leverage Matters: Impact on Price and Returns

The amount of debt a business can support is crucial because it directly influences the price a PE firm can afford to pay and the potential returns on their equity investment.

- **Higher Multiples for Larger Companies:** "There's a pretty natural step up in valuation multiple as you get larger," Jay notes. "And the reason is because leverage becomes more available." Larger, more predictable companies with stable cash flows can typically support more debt. More debt means the PE firm needs to contribute less of its own equity for a given purchase price, or it can pay a higher price for the same amount of equity.
- **Boosting Equity Returns:** "More leverage [means] higher equity returns, in theory," Jay adds. By using debt to fund a large part of the acquisition, any subsequent increase in the business's value (or a successful exit at a higher multiple) disproportionately benefits the equity holders, magnifying their returns.

Types of Debt in PE Deals:

The type of debt used can also vary based on the size and nature of the acquired business:

- **Cash Flow-Based Loans:** As Jay explains, "As you get into the middle and upper, and then the mega market, those are going to be cash flow based loans. They're going to be based on EBITDA." Lenders assess the company's ability to service debt based on its ongoing earnings.
- **Asset-Based Loans (ABL):** "In the lower middle market, we actually see a lot of companies that are initially financed with asset-based loans," Jay observes. This is common when "the founder owns the real estate as well." A PE firm might buy both the business and its real estate, then finance the real estate separately. This "trick of the

trade," as Jay calls it, allows them to "command a higher percentage of debt in the structure" and "juice equity returns." He gives the analogy: "If I’m going to buy the ice cream [shop], I have to come and like, you got to sell me the real estate too."

Jay illustrates how these components interrelate with a heuristic for large PE funds: "At a billion dollar fund, you’re going to... probably want to have 10 percent of the fund in each company. That’s probably $100 million of equity. You can then work backwards to... if you, on average, lever it kind of one to one, it’s about $200 [million enterprise value]. So they’re going to be paying... 10 times EBITDA for $20 million EBITDA companies."

Understanding these financial mechanics—how PE firms use EBITDA multiples, leverage, and their own equity to structure deals—provides business owners with a clearer picture of what drives PE valuations and how offers are constructed. It highlights the importance of not just your earnings, but also the predictability and scale that allow a buyer to leverage your business effectively.

CHAPTER 4

The "People Factor":

Navigating Management and Talent in a PE Sale

Beyond the spreadsheets and strategic plans, private equity firms pay close attention to a company's most vital asset: its people. The strength, depth, and potential of the management team and overall workforce are critical considerations in any acquisition. Jay sheds light on how PE firms view these "people factors," including the delicate situations that often arise in founder-led businesses.

The "Brother-in-Law" Syndrome: Addressing Underperformers

Many successful founder-led businesses have long-term employees or even family members in key roles who, while loyal, may not be the A-players needed for the next phase of growth. Jay refers to the common scenario of a relative or long-time friend—let's call him "Matt the brother-in-law"—who might be well-liked but isn't optimally qualified for his position.

How do PE firms view this?

- **Often Anticipated:** Jay notes, "We often see the private equity firms will use it as a negotiating chip." He suggests that "97 percent of the time, the seller knows in their heart of hearts that the son [or brother-in-law] is not the answer and then they bought him a job."
- **PE as the "Problem Solver":** Founders may find it difficult to address these sensitive personnel issues directly. "What happens is they tend to kick the can, and then leave it to the PE firm to sort of solve these problems," Jay observes. Post-acquisition, the PE firm might implement a negotiated transition, perhaps a "two-year

standstill, and then two years later, we'll kind of close that department or whatever."

- **Value Creation Opportunity:** For the PE firm, upgrading talent can be a direct path to value creation. "Some of the value creation is like, just, you know, if you replace the brother-in-law with a real controller, who has a CPA... boy, you know, suddenly the cost pricing gets a lot better."

While PE firms are prepared to make these tough calls, Jay advises sellers, **"You will leave a lot of money on the table if you leave those problems to the next buyer."** Addressing obvious personnel shortcomings, or at least having a clear and candid discussion about them during the sale process, is generally more beneficial than hoping they go unnoticed.

Attracting and Retaining Talent in Smaller Companies

A broader challenge for many small to medium-sized businesses is attracting and retaining top-tier talent, especially if they can't compete on salary with larger corporations. Jay points out that this is a "big issue" PE firms often see.

- **An Effective Model:** He's observed success when founders "take a chance on a kid from Clemson who seems really talented as younger. And I'm going to give [them] too much responsibility too soon. That generally works quite well when you take talent[ed] people and give them a lot of rope."
- **The Pitfall of Nepotism:** Conversely, if the "brother-in-law is the head of that department, and they're threatened with new talent," it creates a dead-end for ambitious employees. "They struggle to, especially even if they can attract it, retain that talent, because eventually they know, 'I'm never going to get [promoted over] so-and-so.'"

For a PE firm looking to grow a business, the existing talent pool and the company's ability to attract future talent are key considerations. A business that has demonstrated an ability to cultivate strong leaders beyond the founder, or shows clear potential for talent upgrades, will be viewed more favorably. While PE firms often bring in their own network of executives or help recruit for key positions post-acquisition, a seller who has already started building a professional management layer can significantly enhance the attractiveness and valuation of their company.

CHAPTER 5

Preparing for Due Diligence: Financial Clean-Up and Transparency

Once a private equity firm expresses interest in your business, they will embark on a rigorous due diligence process, with a heavy focus on your financial records. Jay Ripley emphasizes that proactive and thorough financial preparation is not just recommended—it's essential if you want to build credibility, maximize your valuation, and navigate the sale process smoothly. Leaving this work for the PE firm to figure out often means leaving money on the table.

The Imperative of "Clean" Financials

"One of the things I would advise is that you will leave a lot of money on the table if you leave those problems to the next buyer," Jay states, referring broadly to unaddressed issues, but particularly to financial clarity.

He strongly recommends:

- **Professional Financial Statements:** "Clean up your books... have a real set of financial statements that are ideally reviewed, if not audited," by a reputable accounting firm. This provides a baseline of credibility.
- **Transparent Pro Formas & "Add-Backs":** Many founder-owned businesses run personal expenses (cars, travel, etc.) through the company for tax efficiency. When preparing for a sale, these need to be identified and "added back" to calculate a normalized EBITDA that reflects the true ongoing profitability of the business under new ownership. "It's okay to show pro formas saying, 'Look, yeah, I run

the car on the plane or whatever through it. Like, here’s the real [EBITDA] that would be behind,'" Jay advises.

- **Honesty is Key:** While you don't want to create documents that could cause tax issues ("obviously you don’t want to write an email the IRS can print out and sue you"), Jay suggests being verbally transparent with potential buyers: "Hey, we’ve made some adjustments based on some yada, yada, yada." If a buyer feels you're hiding something, they'll wonder, "If you’re lying to me about this, what else are you lying about?"

Know Your True Earnings – Before They Do

A critical reason for this upfront financial homework is that PE firms are experts at financial analysis. "A lot of where these firms try to make their money is they actually think you don’t know what your earnings are," Jay reveals. "You think you’re selling a $4 million earnings business, and it’s actually $6 [million after appropriate add-backs]." By doing your own thorough "forensic analysis" with qualified advisors *before* going to market, you understand your business's true normalized earning power.

Focus on Earnings and Multiples, Not a Fixed Dollar Amount

Perhaps one of Jay's most emphatic pieces of advice is for sellers to avoid naming a fixed dollar amount they want for their business.

"A lot of sellers quote a dollar amount that they want to be paid as opposed to a multiple. Huge, huge bad. Don’t do that," he warns. He shares an anecdote: "We actually bought one recently where the guy was like, 'I want to be paid $40 million.' And we were like, 'Well, is that enterprise value or equity?' He’s like, 'I don’t know what that means. I want a $40 million check.' And when you did the math on it, that was like 3.5 times EBITDA or something. We would have paid him 6x, to be clear. We were like, 'Oh, great, like, where do we sign?'"

The takeaway?

"You do yourself a real disservice when you think in terms of dollars," Jay stresses. **"You want to optimize your earnings number, because that’s**

what they’re going to value. And then you can, you know, the broker and they can compete on who wants to pay the highest multiple for that."

Ultimately, robust financial preparation and transparency are foundational. PE firms "will ding you on your multiple if they don’t believe your financial statements," Jay concludes. "That’s the number one issue we see." Presenting clear, credible, and well-documented financials, along with a thoroughly calculated adjusted EBITDA, positions you to negotiate from strength and achieve the best possible valuation for your hard-earned business.

CHAPTER 6

Crafting Your Growth Story:

Articulating Value to PE Buyers

Once your financial house is in order, the next crucial element in attracting private equity interest and a premium valuation is a compelling and credible growth story.

As Jay Ripley points out, "The number one way private equity firms make money is by having earnings grow." Therefore, your ability to articulate a clear path to future growth is paramount. It's not enough to have a good business today; PE firms want to see how it can become a bigger, more profitable business tomorrow.

Understanding Your Business Deeply

Jay is often surprised by how many owners don't fully grasp their own unit economics. To build a convincing growth narrative, you must be able to answer fundamental questions with clarity:

- **End-Market Dynamics:** What are the tailwinds in your industry? Is your market growing, stable, or facing headwinds? Be prepared to explain these factors.
- **Unit Economics:** "If you sell a widget," Jay asks, "what does it cost to make the widget? What is it? How did you decide what to price it at? If I offered to buy 1,000 of your widgets versus 100, how would you price it?" Having "crisp answers" to such questions demonstrates a deep understanding of your business's financial engine.

Presenting Sustainable Growth

How you present your company's growth trajectory matters significantly:

- **Avoid Extremes:** "You don’t want to have reported recent declines," Jay advises, as this will likely result in a "ding" on your valuation. Conversely, showing "rapid growth" that seems unbelievable or unsustainable can also be problematic, as "people aren’t going to believe that’s sustainable."
- **The Ideal Narrative:** "The ideal is if you have like some form of linear growth, and a good story as to why that linear growth will continue, you’re generally going to be assigned a very high [multiple]," Jay suggests.

Navigating Recent Market Volatility

The past several years (with COVID-19, supply chain disruptions, and inflation) have created a "really weird five-year period," making it challenging to present a straightforward growth story for many businesses. Some businesses benefited from unique conditions (e.g., cost-plus models during inflation), while others faced margin compression.

- **Transparency is Key:** Buyers are smart and will "do some work on like, what’s causing this growth? Is that price increases? Is that fundamental?" Jay stresses the importance of understanding the drivers of your recent performance and being transparent. Don't "kind of hand wave to answer because we’re great... because we’re us."
- **Explain the "Why":** If your business saw unusual growth due to external factors like "lumber prices," explain it. "You can tell a story and still get the answer," Jay notes, perhaps by showing how current performance, despite a recent spike, aligns with long-term averages.
- **Unsupported Claims Will Be Penalized:** "You will be dinged heavily... if you think, 'Oh, I’m up 3 years in a row because of some variable I don’t control and now I’m going to sell that for 10 times.' People will see through that. And frankly, lenders won’t finance it."

"Hand Them the Plan"

Ultimately, the more you can do the homework for the PE firm and present a clear, well-supported vision for future growth, the better. Jay advises that when you can "position what the plan is to go, kind of hand them the plan, you’ll be assigned a much higher multiple." If you can show a pathway—perhaps through identified add-on acquisitions, new facility plans, or other concrete initiatives—and "tee it up for him," PE firms "will delude themselves to believe it’s easy."

A thoughtfully crafted growth story, grounded in a deep understanding of your business and market, and presented with transparency, gives private equity buyers the confidence they need to invest and to pay a premium for the future earnings they believe your company can achieve.

CHAPTER 7

Navigating the Offer:

Working Capital and Other Key Negotiation Points

Receiving an attractive initial offer from a private equity firm can be an exciting moment for a business owner. However, the journey from that preliminary indication of interest to the final closing price involves many negotiations and adjustments.

Jay highlights common pitfalls and provides crucial advice on how sellers can navigate this process, especially concerning the often-misunderstood area of working capital.

Beyond the Headline Multiple: Understanding the Detailed Offer

One common fear among sellers is that an initial attractive offer will get "dinged, dinged, ding, ding all the way down" during due diligence, resulting in a final price significantly lower than expected.

To mitigate this, Jay advises sellers to push for clarity from the outset. "Get them to give you a detailed offer," he recommends. "Oftentimes they'll quote something high level. 'Hey, I'll give you 6 times your business.' That's like, okay, like, tell me more. What enterprise value? What are the deductions?" Understanding the full calculation down to what you, the seller, will actually receive pre-tax is crucial.

The Working Capital Conundrum: "The Biggest Issue by Far"

Jay identifies working capital adjustments as "the one that still is quite prevalent and is the biggest issue by far" in purchase agreement negotiations. Working capital refers to the difference between a company's current assets (like accounts receivable and inventory) and its current liabilities (like accounts payable).

- **The Core Disagreement:** The conflict often arises because "the seller will think, 'I’m just going to take all the working capital [cash generated from it] with me.' And the [buyer] is like, 'Well, no, I paid you a multiple [on your] growth. You got to give me the capital to fund that growth.'" A buyer needs a certain amount of working capital left in the business on day one to ensure smooth operations and to support the very growth they based their purchase price on.
- **The Painful Surprise:** This can lead to significant post-closing adjustments that catch sellers off guard. Jay gives an example: "Oh, I thought I was getting $50 million of cash, and then there was an adjustment that was $20 million at the end."

Proactive Strategies for Managing Working Capital Negotiations:

To avoid such surprises, Jay stresses the importance of proactive management and clear negotiation around working capital:

1. **Set a Clear Target (and Understand the Logic):** "The more you can set a target for that [working capital] and understand it, it would be helpful. It’s actually really important." This target, which represents the amount of working capital to be delivered at closing, should be based on a sound analysis of what the business truly needs to operate and fund its projected growth. This often requires assistance from "a smart financial mind."
2. **Beware of "Artificial Targets":** PE firms are adept at financial analysis. If your business has historically operated with inefficient working capital management (e.g., slow collection of receivables, or paying suppliers faster than necessary), a PE firm might set a working capital target based on *optimized* levels. Jay warns they might say, "'Oh, well, you usually collect in 60 days and... usually pay in 30 days, so I need 30 days of receivables [as the target].'" If your actual performance at closing is less efficient, you'll have a shortfall against this optimized target, reducing your proceeds. The PE firm then

"free[s] up some of the working capital, put[s] it in their own pocket" post-close by implementing those efficiencies.

3. **Clean Up *Before* the Sale:** "As a business owner, the more you can clean that up ahead of time," Jay advises, referring to optimizing your accounts receivable, inventory management, and accounts payable cycles.
4. **Tie Working Capital to Growth Projections:** If you're selling your business based on a forecast of strong future growth (and expecting a multiple that reflects this), be prepared for the buyer to expect sufficient working capital to fund that growth. "We see it a lot where people say, 'Oh, I'm forecasting a bunch of growth and pay me 10 times for that.' And someone's like, 'I'll pay you 10 times if you give me the capital to fund it.'" This is often a "big source of disagreement."

By understanding the components of a PE offer and proactively addressing potential negotiation points like working capital well in advance, business owners can better protect their interests and ensure that the final deal aligns more closely with their initial expectations. This requires careful preparation, expert advice, and clear communication throughout the sale process.

CHAPTER 8

Choosing Your Guides:

Selecting M&A Advisors and Investment Bankers

Selling your business, especially to a private equity firm, is a complex undertaking. The M&A advisor or investment banker you choose to represent you will play a pivotal role in navigating this process, shaping your strategy, and ultimately influencing your outcome. Jay offers some candid insights into this selection process from a PE buyer's perspective, emphasizing the importance of quality representation.

The Spectrum of Sell-Side Advisors

As briefly touched upon in Chapter 1, the type of advisor best suited to your business often correlates with its size:

- **Business Brokers:** Typically handle sales for smaller businesses (e.g., those with under $5 million in EBITDA). Their approach can sometimes be a "numbers game," involving broader marketing and less intensive upfront preparation.
- **Specialized/Boutique Investment Banks:** Serve businesses in the $5 million to $20-25 million EBITDA range. They often bring more specialized industry knowledge and a more tailored approach, frequently facilitating a company's first sale to an institutional buyer like a PE firm.
- **Larger Investment Banks:** Work with bigger companies (e.g., $25-30 million+ EBITDA), running highly structured and competitive sale processes.

Red Flags and Reputations

Jay notes that "within the private equity community, the business brokers have a very poor reputation because they're known to be kind of like salesy kind of sleazy bunch in general."

While this is a generalization and good brokers certainly exist, he cautions against those who "often will make promises to owners [like], 'Oh, yeah, I can get you sold by Christmas,' and they'll like, throw you on the side of that website. And it's just not there. Actually, it was very little diligence. Like, they don't really coach." He describes parts of the brokerage community as a "volume game" and even recounts a colleague's experience that made it seem like "truly the Wild West."

Qualities of a Good M&A Advisor

So, what should you look for? Jay suggests focusing on substance over style:

- **Deep Understanding:** A good advisor isn't just about a "great golf swing or because they look good in the blue suit," but because "they [are] actually talking about [substance]... that's probably a good sign."
- **Articulation of Value:** "The more they can articulate why that [strategy or aspect of your business] is helpful" to a buyer, the better.
- **Thorough Vetting:** He advises owners to "just keep asking why" during conversations with potential advisors. "Generally, you're going to kind of pretty quickly figure it out whether they're serious and understand something or whether they're just kind of [superficial]."

"You Get What You Pay For"

While negotiating fees is part of the process, Jay cautions against simply choosing the cheapest option. "Be mindful when you negotiate the fees with them, like, in some ways you'll get what you pay for it. So [if] they give you the cheapest one with the best fee, we may have won the battle [but] lost a little bit of time," or worse, a potentially better outcome.

Preparation Before Engagement: "One Bite at the Apple"

A critical piece of advice from Jay is to do your homework *before* formally engaging an advisor and going to market. Some owners might consider testing the waters, getting feedback from buyers, and then pulling back to fix issues. However, Jay warns, "You probably get one bite at that apple... word spreads."

Instead, he stresses, **"You should do a lot of prep work *before* you go [to market]."** Don't just react to a broker's call claiming your business is worth a high multiple. "No, no, no, you got, that’s where you got to do the prep work. You got to get it all [in order]... And I find that tends to be the best value maximizing thing."

Choosing the right M&A advisor is a crucial investment in your sale process. Look for genuine expertise, a deep understanding of your business and potential buyers, a commitment to thorough preparation, and a transparent approach. This partnership will be instrumental in how your business is perceived and valued by private equity firms.

CHAPTER 9

Life After "Sold":

The Founder's Role, Rollover Equity, and Partnership Dynamics

For many business owners, selling to a private equity firm doesn't necessarily mean walking away entirely. In fact, Jay notes, "Oftentimes, most private equity wants to keep the owner... the owner is a force of nature. He or she built this damn thing... they don't want you all to go away." Instead, PE firms frequently want the seller to "roll a substantial part of your equity" into the newly acquired company and continue to play a role, offering the enticing prospect of a "second bite of the apple" when the PE firm eventually sells the business again.

While this can be a "great way to create kind of a win-win," Jay stresses that it transforms the transaction from a simple sale into the formation of a new partnership. This requires careful consideration and thorough due diligence, not just by the PE firm on your business, but by *you* on the PE firm.

Evaluating Your Potential PE Partner

If you're considering rolling over equity and staying involved, you are, in essence, "buying stock in their company now," as Jay puts it. Therefore, you need to assess them as you would any investment or partnership:

- **Understand Their Growth Plan:** "Ask the buyer what their plans are to grow the business," Jay advises. "If it sounds smart to you... novel or interesting, like, probably a good signal." Conversely, if their plans seem unrealistic or misaligned with your deep industry knowledge ("if somebody's telling you... 'I'm going to change the way your company works,' and you're like, 'I know that doesn't work that way'"), that's a red flag.

- **Check References Thoroughly:** This is critical. Don't just speak to the successes. Jay recommends, "I would call up some of the prior founders they worked with. I'd ask for... two that have worked [out well] and two that didn't [work out] independently... you wanna hear how they treated the ones that didn't work out." He later refines this: "Pick the biggest winner, pick the two biggest losers, and pick one in the middle." Ask these founders pointed questions: "How'd they treat you? What happened when it was down? Did they have a plan?" Learning how a PE firm behaves under pressure is invaluable.
- **Assess Their Track Record of Treating Partners Well:** Beyond financial returns, how have they managed relationships with founders who have rolled equity?

Understanding the Terms of Your Rollover Equity

It's crucial to understand the structure and rights associated with your rollover equity, as it may differ from the PE sponsor's equity:

- **Subordination:** "Oftentimes the way these are structured when you roll over is your equity is subordinate to the equity of the sponsor," Jay explains. "Which works fine unless things aren't going well, and it works real poorly." This means in a downside scenario, the PE firm's equity might get paid out before yours.
- **Potential for Discounted Buyouts:** Jay cautions, "Some, not all, but some private equity firms, part of their strategy is to get you to roll a piece and then come to you later and try to buy it at a discount."
- **Legal and Compliance Scrutiny:** Ensure all your company's legal and compliance aspects, especially around contracts (e.g., government work), are impeccable. PE firms will scrutinize these areas heavily, and issues "are the sort of stuff that people will walk away [from] and where they'll heavily discount what the valuation would be."

Despite these cautionary points, Jay believes that "80 percent of small business owners, I would hazard a guess, that sell and roll, like have a good experience... It’s usually ends well." However, he underscores that the "scope for misunderstanding is [high]," making "an advisor... critical" for navigating these complex partnership terms and ensuring your interests are protected. Diligent preparation and a clear understanding of the partnership dynamics are key to making a rollover a successful "second bite."

CHAPTER 10

Maximizing Your Exit:

Key Takeaways for Selling to Private Equity

Selling your business to a private equity firm can be one of the most significant financial and professional events in your life. As Jay has illuminated, it's a path that offers immense potential for realizing the value you've built, but it demands meticulous preparation, a strategic mindset, and a clear understanding of what makes PE buyers tick. By internalizing the insights from a PE insider, you can navigate this complex landscape more effectively and significantly enhance your outcome.

Here are the key takeaways to help you maximize your exit when considering a sale to private equity:

1. **Understand the PE Landscape and Their "Playbook":** Recognize that PE firms, especially in the lower middle market, are often looking for successful but "under-optimized" founder-led businesses where they can implement their value-creation playbook. This typically involves professionalizing operations, driving growth initiatives, and strategic financial management. Knowing their general approach helps you anticipate their focus.

2. **Meticulous Financial Preparation is Non-Negotiable:** This is arguably the most critical step.

- **Clean, Credible Financials:** Invest in reviewed or audited financial statements from a reputable accountant.
- **Transparent Add-Backs:** Clearly identify and document any personal expenses run through the business to arrive at a true, normalized EBITDA. Honesty builds trust.
- **Know Your *Real* Earnings:** Do your own "forensic analysis" with expert help *before* PE firms do. Understand your true earning power.
- **Focus on Earnings, Not a Fixed Price:** Avoid quoting a specific dollar amount you want for your business. Instead, focus on maximizing and substantiating your adjusted EBITDA, as this is the figure PE firms will apply a multiple to. Unbelievable financial statements are the "#1 issue" PE firms see.

3. **Craft a Compelling and Believable Growth Story:** Since PE firms primarily make money through earnings growth, your ability to present a clear, data-driven, and sustainable growth plan is crucial.

- **Know Your Unit Economics & Market:** Understand your costs, pricing strategy, scalability, and the tailwinds in your market.
- **Explain Recent Performance Transparently:** Especially given recent market volatility (COVID, inflation), clearly articulate the drivers behind your performance. Avoid "hand-waving"; buyers and their lenders will see through unsustainable spikes. "Handing them the plan" for future growth can significantly increase their confidence and your valuation.

4. **Address Operational and "People" Issues Proactively:** While it's okay to "leave a little something on the table" for the PE firm to improve, address glaring operational inefficiencies or sensitive personnel issues (like the "brother-in-law controller") where possible. Leaving too many problems for the buyer can

negatively impact your valuation.

5. **Choose Your M&A Advisor Wisely:** Quality representation is critical. Vet potential advisors thoroughly. Look for deep understanding and a strategic approach, not just a sales pitch. Remember, often "you get what you pay for," and thorough preparation *before* engaging an advisor and going to market is key—you typically get "one bite at the apple."

6. **Navigate the Deal with Eyes Wide Open:** Understand that initial offers are just the starting point. Be prepared for rigorous due diligence. Pay close attention to crucial negotiation points like working capital adjustments, and ensure you have expert advice to guide you.

7. **If Rolling Equity, Vet Your PE Partner Thoroughly:** If you plan to stay involved and roll over equity, conduct your own due diligence on the PE firm. Understand their track record (with both successes and failures), how they treat their founder partners, and the specific terms of your new partnership.

Market Context Matters, But Preparation is Paramount: Jay acknowledged that the current private equity environment involves robust capital availability but also a discerning approach from buyers due to economic uncertainties and the cost of leverage. While market conditions will always play a role, a well-prepared business with strong fundamentals, a clear growth story, and transparent financials will always command more attention and a better valuation.

Selling to private equity is a complex process, but by understanding their perspective and diligently preparing your business, you can transform it from a daunting challenge into a highly rewarding opportunity.

PART III

The Seller's Journey: A Real-World Account

In Part 2, Jay Ripley provided us with an invaluable insider's perspective on the world of private equity. We explored their strategic "playbook," how they identify and value potential acquisitions, the financial mechanics that drive their deals, and the crucial preparations a business owner should undertake if considering a sale to a PE firm. This has given us a clear blueprint of one of the most significant exit pathways available to successful entrepreneurs.

But what does it actually *feel* like to go through such a transformative process? How do the strategic frameworks and financial models play out in the unpredictable arena of a real business sale, with all its human elements, unforeseen challenges, and hard-won lessons? To bridge the gap between strategy and lived experience, we now turn to a deeply personal account.

In Part 3, we sit down with Martin Eveleigh, founder of Atlas Captives. Martin will take us on his own "seller's journey," sharing the candid, unfiltered story of navigating the sale of his business. From the initial decision to sell and the meticulous selection of M&A advisors, through the emotional rollercoaster of due diligence, the unexpected hurdles that stretched his closing to eleven months (right into the teeth of Q1 2020!), and the realities of post-sale life, Martin's narrative is rich with "hard knocks" wisdom.

This section offers a unique opportunity to see many of the concepts discussed by Robert Snowden (on valuation) and Jay Ripley (on PE) applied and tested in a real-world scenario.

It’s a shift from the "what" and "how-to" to "what it’s *really* like." Let's learn from Martin's experience.

CHAPTER 1

From Barrister to Captive Pioneer: The Founding of Atlas

The path to building a sellable business is rarely a straight line. For Martin Eveleigh, founder of Atlas Captives, it was a journey that spanned continents, navigated shifting industries, and ultimately led to a successful exit that provides a wealth of lessons for fellow entrepreneurs. His story begins not in the world of high finance or startup incubators, but in the historic halls of English law and the traditional London insurance market.

After his education in the UK, he was "called to the bar," meaning he qualified as a barrister (lawyer to us Yanks). However, he never formally practiced law. Instead, his "proper career" began as a reinsurance broker in London with Willis Faber & Dumas (a firm that, through various evolutions, is now part of Willis Towers Watson). There, he specialized in placing complex risks for clients in Asia—first for the Indian subcontinent and later focusing on Japanese clients, particularly their marine reinsurance needs, into the Lloyd's of London market and with major European reinsurers.

This work continued until the early 1990s, when Martin took a sabbatical for a significant sailing adventure. The plan was ambitious: to sail from England, across the Atlantic, and follow the circuit back. Unfortunately, a wrist injury in Portugal cut the trip short. "I sold the boat in Lisbon and came home," he recounts. But this unexpected turn brought a moment of clarity: "I thought, I do not want to go back to working in the London insurance market."

After exploring a few options, including a near move to Hong Kong, Martin found himself drawn to the niche and then predominantly offshore world of captive insurance. Captives—essentially self-insurance companies created by businesses to cover their own risks—were primarily managed in jurisdictions like Bermuda, the Cayman Islands, and the Channel Islands.

In 1998, an opportunity arose with KPMG in the British Virgin Islands (BVI). "They, in their office in the British Virgin Islands had a small captive management practice," Martin explains. He joined them and, over four years, significantly grew that practice from just three clients to nearly a hundred.

Despite this success, personal opportunities in the BVI felt limited. So, in 2002, in partnership with a client based in The Bahamas, Martin took the entrepreneurial leap and "formed Atlas Insurance Management."

After a couple of years in The Bahamas, where he found the regulatory environment "not terribly helpful," he moved the burgeoning operation to the Cayman Islands in 2004. "Atlas Captives was born in '02," he clarifies, but it "kind of got up and off the ground running in the Caymans in 2004."

For seven years, Atlas thrived in the Cayman Islands. However, during the latter part of his time there, Martin began managing captives domiciled in the United States, particularly in Washington D.C.

There, he recognized a significant shift in the industry: "It was pretty clear that the change... was seeing a lot of US state[s]... starting to take an interest in captive insurance and starting to get into the business of being domiciles for captive companies."

Knowing Atlas needed a robust presence in the U.S. market, and after an initial attempt to manage this remotely didn't pan out, Martin made another pivotal decision. In 2011, driven by both business strategy and personal reasons—his children were reaching an age where the opportunities in a city like Charlotte seemed more advantageous than their 13 years in the Caribbean—he moved to Charlotte, North Carolina. He took over what was then "a very, very small operation... here in the US," ready to build the next chapter for Atlas Captives.

CHAPTER 2

Building Value:

Transforming a "Practice" into a Sellable "Business"

Arriving in Charlotte in 2011, Martin faced the task of significantly building out Atlas Captives' US operations. The journey to create a substantial, valuable enterprise involved not just growing client volume but also a crucial internal transformation: evolving from what he termed a "practice" into a true "business."

Tailwinds and Strategic Advantages in the US Market

Several factors contributed to Atlas's successful expansion in the US:

- **Favorable Timing:** "The timing was pretty good," Martin recalls. There was a strong appetite for captives utilizing a specific tax election (Section 831(b) of the Internal Revenue Code), which, at the time, faced less IRS scrutiny than it would later. This provided "slightly low hanging fruit" for new business.
- **Key Personnel:** Martin "fairly quickly found a really good business producer," whose efforts were instrumental in bringing in new clients.
- **Established Reputation and Choice:** Atlas already had a solid reputation from its Cayman Islands operations, and the ability to offer clients a choice between offshore and various US domiciles (like DC, South Carolina, or Delaware) was a significant advantage. "I think it was very helpful to be able to offer people a choice," he notes.
- **North Carolina's Emerging Captive Scene:** Fortuitously, two years after Martin's arrival, "North Carolina passed captive insurance legislation and became a very active domicile." Being an established

captive manager physically present in the state—"I think we were the only show in town" initially—allowed Atlas to become deeply involved. Martin was sought out by the founding members of the North Carolina Captive Insurance Association, eventually chairing the organization, which helped raise Atlas's profile and connection to the state.
- **Diverse Tools:** Atlas also utilized innovative structures like a series LLC in Delaware, adding to their "toolbox" of solutions for clients.
- **An Insurance-First Mindset:** Martin believed Atlas's deep reinsurance and insurance background, rather than a purely accountancy-focused approach common among some captive managers, distinguished their service and communication style.

The Critical Shift: From "Practice" to "Business"

Beyond these growth drivers, Martin emphasizes a more profound strategic shift that was essential for building long-term value. "If you are in a sort of professional services, financial services business... I think when you start out, it *is* a practice rather than a business. Very likely. It depends upon the sole practitioner with some administrative support." He reflects that for its first several years, even his Cayman operation was more of a practice. "There is a process of moving from something that is a practice... to something that is actually a business, and it requires a certain amount of intent to get there and realization."

For Martin, a key catalyst in this transformation after moving to Charlotte was joining a **Vistage peer advisory group**, chaired by Kurt Graves. "The support from Kurt, the support from other group members, the discussions that we all had were, I think, enormously helpful in making sure that Atlas Insurance Management became a business, and not just a business, but actually a properly managed business... that took account of all the things that you need to take account of." This intentional focus on professional management, systems, and strategic thinking was vital, because as Martin points out, if you go to sell and you're still just a "practice," an M&A advisor "may well be saying to you, 'Nah, you’re not ready.'"

By the time Martin began seriously contemplating a sale, Atlas Captives had grown into a significant international operation with approximately 27 employees split between the Cayman Islands and Charlotte, with the Charlotte office having become slightly larger. This scale, underpinned by a deliberate shift to a robust business model, positioned Atlas as an attractive asset.

CHAPTER 3

The "Why" and "When":

Deciding to Sell Your Life's Work

The decision to sell a business you've poured years, often decades, of your life into is rarely simple or sudden. For Martin, the thought of selling Atlas Captives began to crystallize about three years before the transaction eventually closed in early 2020.

A confluence of personal reflections and a growing understanding of the financial marketplace for businesses like his defined this period, starting around 2017.

Martin outlines several key factors that led him to consider selling:

1. **A Sense of Completion and Repetition:** "By the time I made the decision to sell... I had been almost 20 years in the captive business," Martin reflects. Coupled with his earlier career in reinsurance dating back to 1983, he felt that "there were aspects of it that were becoming repetitive, frankly. I was just feeling, 'Oh, I've kind of done this.'" This sense of having achieved what he set out to do in the industry and a desire for new challenges played a significant role.

2. **Age and De-Risking:** As with many entrepreneurs who have built substantial value in their enterprises, considerations of age and financial prudence came to the fore. "There comes a point where you start to think, 'I maybe need to take some chips off the table here,'" Martin explains. "Because, you know, it's all

very well, what goes up doesn't necessarily always keep going up." This desire to secure some of the wealth he had created and reduce personal financial risk became a practical motivator.

3. **The "Light Bulb Moment": Understanding True Market Value:** Perhaps the most compelling catalyst was a newfound clarity on how businesses in his sector were being valued, particularly by private equity firms and other acquirers. "There was a sort of light bulb moment, I think," he recalls, "and it was an understanding of multiples of EBITDA and what sort of multiples were prevalent in the insurance industry at that time." Critically, this included grasping that "EBITDA from a transaction point of view doesn't actually mean [just book] EBITDA, it means *adjusted* EBITDA" (as discussed by Robert Snowden in Part 1 and Jay Ripley in Part 2 of this book).

   "Once I grasped that," Martin continues, "I started to see what the value of the business might be. And once I saw what the value of the business might be, I thought I'd be crazy *not* to sell this business." This clear-eyed financial insight, combined with his personal readiness for a new chapter, solidified his resolve.

Martin Eveleigh's decision to sell was therefore not an impulsive act, but rather a carefully considered choice driven by a blend of personal readiness after a long and successful career in a specialized field, a pragmatic desire to secure his financial future, and a strategic understanding of the favorable market conditions for a business like Atlas Captives. This clear "why" and "when" set the stage for the meticulous process of preparing for and executing the sale.

CHAPTER 4

Assembling Your Deal Team:

Choosing the Right M&A Advisor

Once you make the personal and financial decision to sell, the next crucial step is to engage the right professionals to guide you through the complex M&A landscape. For Martin, this meant selecting an investment banking firm that not only understood his niche industry but also aligned with his principles for a transparent and focused sale process.

Being "Ready for Sale"

Before even approaching potential advisors, Martin underscores the importance of having already transformed his company from a founder-dependent "practice" into a professionally managed "business" (as discussed in Chapter 2). He notes that M&A advisors "may well be saying to you, 'Nah, you’re not ready. There's more for you to do'" if the business isn't well-structured or its financials aren't in order. Martin felt Atlas Captives, having already undertaken steps like preparing audited financial statements, was "in a good condition for sale."

A Formal Process Over Unsolicited Offers

Like many successful business owners, Martin regularly received "unsolicited requests... 'Can we give you money to help you grow your business?'" However, he recognized that achieving the best outcome typically requires a more structured and competitive approach. "We weren’t gonna go down that route," he states, opting instead to identify and engage specialist M&A advisors within the insurance industry.

Criteria for Selecting the Right Firm

Martin had a targeted and deliberate selection process:

- **Industry Specialization:** "We never thought about generalists at all," he says. He composed a shortlist of firms known for their work in the insurance sector. He believed, correctly, that "the insurance specialist can sell an insurance business but doesn't have to sell it to another insurance business. You can sell it to a bank... to private equity... If they're any good at what they're doing, they know the market, they know who's looking. And indeed they did know the market and they did know who was looking."
- **Sell-Side Exclusivity to Avoid Conflicts:** After narrowing it down to two serious contenders, Martin's final choice was driven by a key structural difference. One firm worked on both the buy-side (representing acquirers) and the sell-side (representing sellers). "The firm that we chose worked on the sell-side only," Martin explains. "And I just felt that that meant that there could be no possible conflict of interest." This ensured his advisors' interests were unequivocally aligned with his as the seller.
- **Existing Familiarity:** While not the sole factor, he adds that he "knew [the chosen firm] better anyway from just having met [them] a couple of times" at conferences, which likely contributed to a level of comfort and trust.

By prioritizing deep industry expertise and a nonconflicting advisory model, Martin took a crucial first step in assembling his deal team. This careful selection of an M&A partner specifically equipped to navigate the nuances of his industry and represent his interests exclusively set a strong foundation for the intensive sale process that lay ahead.

CHAPTER 5

Under the Microscope:

The Rigors of Pre-Market Preparation

With an experienced M&A advisory firm chosen (around early summer 2018, in Martin Eveleigh's case), the process of selling Atlas Captives moved into an intensive preparation phase. This period, before the business was officially marketed, involved a meticulous "deep dive" by his advisors to thoroughly understand every facet of the company, craft a compelling narrative for potential buyers, and define the target audience for the sale.

The Advisor's In-Depth Scrutiny

"They asked a lot of questions," Martin recalls, a common experience for any business owner embarking on this journey. The advisors weren't just looking for surface-level information; they delved into the core of the business:

- **Comprehensive Data Collection:** "Clearly they wanted data," Martin says. "Your financials is where everybody begins... but then it's headcount, it's number of clients... a complete client list and the fee per client and on and on and on. Really a pretty deep dive into the business."
- **Dual Purpose of the Review:** This rigorous examination served two critical functions:

    1. **Building the Narrative:** The primary goal was to gather the information needed "to present both an accurate

picture, but also a favorable picture to a prospective buyer."

2. **Pre-Market Optimization:** Martin also highlights that "your advisor is also there to say things to you like, 'Why the hell are you doing that? That's not making you any money. Get rid of it.' Make sure that the business is the best business it can be before we actually go to market." This pre-emptive cleanup can address potential red flags and enhance attractiveness.

During this intense data gathering and strategic review period, Martin maintained confidentiality within his own company. Only he and his number two (who effectively served as CFO) were initially aware of the sale process. "The rest of the team," he notes, had "not a clue" at this stage.

Crafting the Pitch and Targeting Buyers

Once the advisors had thoroughly gathered, tested, and probed the data, the next step was to distill it into a "pitch deck"—the primary marketing document that would be presented to potential acquirers. "We go back and forth on that," Martin says, describing the iterative process of ensuring accuracy and a strong value proposition.

Simultaneously, crucial discussions took place regarding the target audience for the sale:

- **Advisor's Network:** "They clearly have their list of, 'We know these people could be prospective buyers for a business like yours,'" Martin explains.
- **Seller's Input – The "Do Not Approach" List:** An important part of the process was for Martin to provide input. His advisors asked, "Is there anybody on this list that you do not want us to approach?" Martin confirms, "Indeed there was, there were several people that we did not want to approach. We simply couldn't see a fit culturally. There were some people that we actively, frankly, disliked." This ability for the seller to veto certain buyers is key to aiming for a good post-acquisition fit.

- **Seller's Suggestions – Identifying Other Potential Suitors:** Conversely, Martin was asked if there was "anybody else that we should be approaching," and he had a couple of suggestions to add to the list.

This collaborative preparation phase culminated around the end of summer or early September of 2018, when the M&A advisors, armed with a polished pitch deck and an agreed-upon target list, were ready to take Atlas Captives to market. Internally, Martin notes, his advisors had given him a "very cautious" initial estimate of the potential value range for his business. The real test, however, was about to begin.

CHAPTER 6

Going to Market:

Navigating Initial Offers and Buyer Meetings

With the preparation complete and a strategic target list in hand, Martin's M&A advisors officially took Atlas Captives to market in the early fall of 2018. This marked the beginning of a new, dynamic phase involving direct engagement with potential acquirers, a period of high anticipation, critical evaluations, and ultimately, pivotal decisions.

The Initial Wave: "Many No's" and Emerging Interest

The first responses from the market were a mixed bag. "I think we had quite a lot of, 'No, no, no, no, no, no, no.' Pretty quickly," Martin candidly recalls. For any business owner, hearing that potential buyers aren't interested can be disheartening. However, Martin maintained a pragmatic perspective. "I think I was okay with it because it was quite clear that there was some interest from some others," he explains. "It wasn't a huge number of others, but it was enough. It was enough to feel that it ought to be okay."

From this initial pool, "really, there were three parties that stood out as being potentially seriously interested... people that we might have a good fit with." Another expressed some interest but seemed less committed. This led to "meetings with prospective ownership [groups for] all these people."

The Dance of Due Diligence: Varied Buyer Meetings

The nature of these initial buyer meetings varied significantly, offering Martin different glimpses into the cultures and priorities of the potential acquirers:

- One was a highly "formal boardroom meeting with, I don't know, eight or 10 people."
- Another involved a direct "meeting with the chairman of the potential acquirer."
- A third was a "smaller boardroom meeting with two or three [people]."
- And yet another was "very, very informal," facilitated by an existing acquaintance Martin knew quite well.

Narrowing the Field: Offers and Alignment

Through these interactions, the field began to narrow further:

- **A Misstep in Messaging:** One potential acquirer dropped out, Martin believes, because "they didn't like my answers to certain questions, which really had to do with, 'Well, how long do you want to hang around for?' To which the incorrect answer was 'Not very long, thank you very much.'" He had candidly expressed his readiness for retirement, which didn't align with their desire for a leader to stay on for a more extended period (likely three to five years). Reflecting on this, Martin felt it was a point where his advisors "could have coached that" response better.
- **Receiving the Offers:** Ultimately, Atlas Captives received "two proper offers," alongside another that was "way below" serious consideration.
- **The Clear Choice:** "Of the two proper [offers]," Martin states, "one was head and shoulders financially above the other." Fortuitously, he adds, "it was kind of probably where we wanted to go anyway, in terms of how we felt about the organization and the people that we'd met there."

With a financially superior offer from a party that also felt like a strong cultural and strategic fit, the decision shone crystal clear. "It was a no brainer," Martin concludes. Atlas Captives had found its preferred acquirer, and the stage was set for the next, and often most challenging, phase: the deep dive of final due diligence and negotiating the path to closing.

CHAPTER 7

The Eleven-Month Marathon:

Overcoming Due Diligence & Closing Hurdles

Accepting an offer from a preferred buyer is a significant milestone in any business sale, but it's far from the end of the journey. For Martin and Atlas Captives, what was initially projected as a swift three-month closing process turned into an eleven-month marathon, fraught with unexpected complexities and demanding considerable patience.

"They initially had said, 'We'll close within three months,'" Martin recalls. That optimistic timeline, however, proved to be a "swing and a miss." The reality was a protracted period of intensive due diligence and legal wrangling that stretched nearly a year.

The Root of the Delays: International Complexities Meet US-Centric Experience

The primary source of the delay, Martin explains, stemmed from the international nature of Atlas Captives versus the acquirer's domestic focus up to that point. "Although a lot of the business [was] here in the United States, the origins of the business [were] outside the United States," he notes. "The holding company that they were acquiring is a company in Anguilla. Um, and we were licensed as captive managers in the Cayman Islands, The Bahamas, Anguilla, and Nevis."

The acquiring company "had never acquired anything outside the United States before." Their subsequent non-US acquisition was in Canada, which Martin felt they found "a whole lot more comfortable and easy about." This lack of prior international M&A experience on the buyer's side meant that "frankly they struggled with it and their lawyers struggled with it."

Martin recounts "silly things" that contributed to the drag, such as "employment contracts in the Cayman Islands being drafted by lawyers in New York without reference to lawyers in the Cayman Islands. Hello. Wake up!" he exclaims. "Cayman Islands employment law doesn't allow you to impose this kind of contract on a Cayman Islands employee." Such missteps, born from unfamiliarity with differing legal jurisdictions, led to rework and consumed valuable time. "It all did drag on a long time."

Maintaining Composure Amidst the Wait

Despite the extended timeline and frustrating hurdles, Martin surprisingly says he wasn't overly concerned about the deal collapsing. "Funnily enough not," he remarks when asked if he got worried. "I think we were always moving forward. We were just never moving forward at quite the pace that I [had] anticipated." He adds, "I never had any feeling that they were getting cold feet or anything like that." While he didn't always know what was happening "behind the scenes" on the buyer's side, the sense of continued, albeit slow, progress and ongoing communication provided a level of reassurance.

The Finish Line: Closing in Q1 2020

Finally, "end of January, 2020, we closed the deal," Martin states. They marked the occasion with a well-deserved champagne celebration at a South Park restaurant. In a poignant twist of timing, this celebration occurred just before the COVID-19 pandemic swept the globe, making it, as Martin wryly notes, "a great celebration prior to us not being able to celebrate anything for six months."

Martin's experience underscores a critical lesson for business owners: the path from an accepted offer to a closed deal can be significantly longer and more arduous than anticipated, especially when cross-border elements are involved. Patience, persistence, and clear communication are essential to navigating this final, intensive leg of the sale marathon.

CHAPTER 8

Deal Structure & The Human Element:

Cash, Rollover Equity, & Post-Sale Commitments

Finalizing the sale of a business involves more than just agreeing on a headline price; it encompasses a detailed negotiation of the deal structure, including how the payment will be made and what role, if any, the seller will play in the company's future. For Martin, selling Atlas Captives to Risk Strategies Company—a rapidly growing, private equity-backed national insurance brokerage employing a "classic rollup strategy"—meant navigating some common, yet often challenging, terms.

The Mandatory Equity Rollover

A key feature of the deal was that it wouldn't be an all-cash transaction. "It wasn't an opportunity. There was no choice," Martin states plainly. "The [terms were]... this will not be an all-cash deal. It's gonna be an 80% or an 85% cash deal, but you will take 15 to 20% of this in our equity [Risk Strategies Company's equity]."

This requirement for the seller to "roll over" a portion of their proceeds into the acquiring entity is a common tactic, especially in PE-backed deals. It aligns the seller's interests with the future success of the combined company and ensures they have "skin in the game" post-acquisition.

- **Martin's Choice:** Faced with the 15-20% equity requirement, Martin "opted to take 15%." He explains this decision was driven by two main factors: a desire to de-risk by taking more cash off the table, and, pragmatically, "I had a need for as much cash out of the deal as I could get, because... I was going through a divorce at the time." Had his personal circumstances been different, he "might have gone for 20%."

- **A Fortuitous Investment:** Despite the mandatory nature, Martin notes that this rolled equity "has been an excellent investment."

The Post-Sale Commitment: A Three-Year Term

Another standard component of the deal was a contractual obligation for Martin to remain with the business for a defined period after the sale. "You didn't get to walk away on day one," he confirms. The acquirer "wanted [me] for three years... that was their standard thing. That's what they did with just about everybody that they acquired."

Martin's perspective on this commitment was pragmatic: "I was all right with it... I was very happy with the deal. And if the deal meant I had to stay for three years, I had to stay for three years, and that was okay. It wasn't a hardship."

- **Initial Hopes vs. Reality:** Initially, Martin "felt, well, actually there's a real opportunity here to work within this organization in order to help grow the captive business." However, this aspiration didn't fully materialize. "It wasn't the great opportunity that I thought it was... we didn't get the sort of cross-selling that I think both we and they would've liked to have seen."
- **Continued Business Success:** Fortunately, the underlying Atlas Captives business continued to perform well and grow under the new ownership, contributing to the success of Martin's rolled equity. "It didn't need to be the driving force. You didn't need to drive the business forward. The business was driving on its own," he reflects.

Martin officially retired from his active role in October 2024, though he agreed to continue some consulting for a small number of key clients and new opportunities.

Martin's experience highlights crucial "human element" aspects that business owners need to anticipate when selling to larger, acquisitive, often PE-backed entities. Requirements for equity rollovers and defined post-sale employment or consulting periods are common. Understanding these terms, negotiating them where possible, and being clear on your own financial needs and personal desires are key to structuring a deal that works for you both at closing and in the years that follow.

CHAPTER 9

Hindsight is 20/20:

Key Lessons from a Business Sale

The experience of selling a business built over many years is an education in itself. Looking back on the roughly six-and-a-half-year journey from initially contemplating the sale of Atlas Captives in 2017/2018 to his official retirement in late 2024, Martin shares some potent "hindsight lessons" for other business owners who may be on, or considering, a similar path.

Lesson 1: The Paramount Importance of a Long Planning Runway

"I do think it's [important to] try to think about selling a business well in advance," Martin emphasizes. He acknowledges a common pitfall for entrepreneurs: "The owners are spending an awful lot of time running around working *in* the business and dealing with, you know, the shit show that happens every day... but we also know that you need to spend time working *on* the business and that you need good people around you."

To truly prepare a business for an optimal sale, he advises:

- **Think Years, Not Months:** "If you are at a point of thinking, 'I'd like to sell my business before too long,' try to make sure that before too long means in three or four or five years time, rather than in six months time."
- **Seek Early Advice:** "There's no harm in talking to the business broker, the investment banker, what have you, five years before you want to sell the business. Say, 'If I were to sell my business, what do

you think it'd be worth? And what would I need to do to make it happen?'"

- **Time Allows for Preparation:** "Because then you’ve got time," Martin concludes. "If you’re in a hurry, it’s not gonna go so well." A longer runway allows for strategic improvements, professionalizing the business, and addressing potential buyer concerns proactively.

Lesson 2: Strategic Communication with Potential Acquirers

Martin candidly shares what he considers a personal mistake during the buyer meeting phase. When one promising potential acquirer asked why he was selling, his honest answer was, "Well, you know what? I think I'm pretty close to ready to retire." This, he believes, "was clearly a mistake." The acquirer, a very large company, likely wanted a leader who would commit to a longer transition or continued leadership role. "The reality is you ended up sticking around for three or four years anyways," the interviewer pointed out. "It could have worked," Martin mused. "It's just the way you answer the question in your mindset." He also felt this was an area where his M&A advisors "could have coached that" response better.

This highlights the importance of understanding a specific buyer's motivations and carefully framing your own plans in a way that aligns with their likely post-acquisition strategy, especially early in discussions.

Overall Satisfaction: "All's Well That Ends Well"

Despite the lengthy closing process and specific learning moments like the interview misstep, Martin's overarching sentiment is positive. "I've got no complaints," he states. "I mean, you know, I walked away with frankly more than I thought I would walk away with. So, you know, that's all good. All's well that ends well."

Martin's journey underscores that while selling a business is a complex and demanding endeavor, thorough preparation, strategic thinking, and learning from both successes and minor missteps can lead to a very satisfactory and rewarding outcome. His hard-won wisdom serves as valuable counsel for any business owner contemplating their own exit strategy.

CHAPTER 10

Life Beyond the Exit:

"Retiring To Something" & Embracing New Ventures

The sale of a business marks a profound transition. For many entrepreneurs like Martin Eveleigh, whose identities and daily lives deeply intertwine with the companies they built, the question looms large: what comes next?

As the old adage suggests, the key to a fulfilling "retirement" is often about retiring *to* something, rather than simply *from* something. Martin's journey into this new chapter offers an inspiring example of embracing new passions and continued engagement, albeit on his own terms.

Having officially retired from his contractual obligations with Risk Strategies Company in October 2024, Martin found himself with more time and flexibility. He hasn't disengaged entirely from the professional world, however. "I have formally agreed to do a certain amount of consulting for them," he shares, primarily for a small number of long-standing clients and potentially for new opportunities that come his way. He also continues to "pursue some of my sort of active investments."

But a significant new focus, and clearly a source of considerable engagement, is a personal project far removed from the world of captive insurance: a house he bought in the South of France a couple of years prior to his full retirement. Located about an hour west of Nice, the property has been undergoing a "major reconstruction project" for over two and a half years. "I'm told that the house will be habitable," he mentioned with a hint of anticipation before a planned visit, "but there's no expectation that it's gonna be finished."

This French retreat is set to become a significant part of his new lifestyle. "I'll be spending about... probably five months of the year down there, split up into two or three different... visits," Martin projects. The property includes about six acres of land, presenting new and enjoyable challenges: "There's land to look at and think about, 'Well, do I plant olive trees or what do I do here?'"

This blend of continued, selective professional activity and immersive personal projects highlights the freedom and flexibility that can come after a successful business exit. "Whether from here in Charlotte or from there [France] doesn't really matter," Martin notes, "because these days it doesn't matter where you are, does it? Technology allows you to do your work from... the South of France or from the south of Charlotte... The only real difference is a time zone difference."

Martin’s story beautifully illustrates that selling a business isn't just an end; it's a gateway. It can be the beginning of a new adventure filled with different kinds of challenges, the pursuit of long-held dreams, and a redefined sense of purpose, all enjoyed with the financial security and personal freedom earned through years of entrepreneurial dedication.

PART IV

From Personal Triumph to Purposeful Giving:

Crafting Your Philanthropic Legacy

Martin's candid account in Part III walked us through the entire arc of a business sale—from the initial "light bulb moment" of recognizing its potential value, through the rigorous M&A process with its unexpected turns, to the eventual successful closing and the dawn of a new life chapter.

His journey illustrates the culmination of years of entrepreneurial effort, resulting in not just financial reward but also the freedom to pursue new passions and define "retirement" on his own terms.

Achieving such a significant milestone naturally leads many successful business owners to reflect on their broader legacy. With personal financial security addressed and the intense demands of running the business now in the rearview mirror (or taking a different form), the question often arises: How can the fruits of this success be used to make a meaningful difference in the causes and communities one cares about? For many, this is where philanthropy becomes a key focus in shaping their enduring impact.

This desire to give back, to channel business achievements into a wider purpose, brings us to Part IV. We will be joined by Brandon Davis of the National Christian Foundation, who specializes in helping individuals and families, particularly business owners, develop strategic charitable giving plans. Brandon will explore how you can thoughtfully and effectively give, often by leveraging your most significant asset—your business—especially around the time of a sale. He will delve into powerful tools and tax-efficient strategies that can amplify your generosity, ensuring that your philanthropic vision can be realized to its fullest potential.

Having navigated the path to a successful business exit, let's now explore how that success can fuel a legacy of giving.

CHAPTER 1

Beyond Profit:

Aligning Business Success with Philanthropic Vision

For many successful business owners, the drive to build and innovate extends beyond the balance sheet. As your enterprise flourishes, creating not only financial wealth but also opportunities for others, a natural inclination often emerges: to give back, to support causes you believe in, and to create a positive impact that endures. This is where strategic philanthropy enters the picture, offering a way to align your business achievements with a broader, values-driven legacy.

Guiding us through this increasingly important area is Brandon Davis, President of the Carolinas for the National Christian Foundation (NCF). NCF is a prominent 501(c)(3) non-profit, grant-making foundation with a singular mission: "to help people develop their giving strategy and be efficient and effective in their charitable giving."

With around 32 offices and 350 colleagues nationwide, NCF serves as a vital resource for donors (whom they call "givers"), their professional advisors, and the charities themselves, assisting all parties in crafting impactful giving strategies for both lifetime and legacy philanthropy.

When Should Business Owners Consider Strategic Charitable Giving?

A common question for business owners is: when is the right time to start thinking about integrating charitable giving into their financial and business planning? Brandon Davis acknowledges that "in a sense, the earlier the better. As with any planning, the earlier you're in on the idea... the better."

However, he also recognizes a practical "tension" for entrepreneurs:

- **Giving Early:** Donating a portion of a business while it's still small means the charity could benefit from its future growth if the asset appreciates significantly in their hands. However, the initial tax deduction for the owner might be limited by the lower current value.
- **Giving Later:** "The idea of kind of waiting until there's more value in the business... that's typically what we see," Brandon admits.

The "pretty typical time" these conversations gain traction, he finds, is "as someone is a little more down the path on the idea of growing the business, value is... built up... and maybe they're thinking about an exit of some sort or recapitalization... maybe not right away, but in the near future or a few years down the road." It's often when an owner realizes, "Hey, this business has really grown. It's kind of done more than I kind of ever anticipated in terms of value," that they begin seriously exploring how to make a significant charitable gift *with* their business.

This Part of our "Charting Opportunities" “Charting Your Exit” book will explore how business owners can do just that. Brandon Davis will delve into effective tools and strategies, such as Donor Advised Funds (DAF) and the gifting of appreciated assets (including privately-held business interests), particularly in the context of a pre-sale scenario.

The goal is to demonstrate how proactive charitable planning can not only fulfill your philanthropic desires but also offer substantial financial and tax efficiencies, allowing you to give more effectively and make a greater difference.

CHAPTER 2

Donor Advised Funds (DAFs):

Your Flexible Charitable Giving Hub

At the heart of many modern strategic charitable giving plans is a versatile tool known as a Donor Advised Fund, or DAF. Brandon Davis of the National Christian Foundation (NCF) describes a DAF in simple terms as being "like a charitable checking account." Understanding how DAFs work is fundamental to unlocking many of the advanced giving strategies available to business owners.

What is a Donor Advised Fund?

In essence, a DAF is a philanthropic vehicle administered by a public charity (like NCF, which is a 501(c)(3) non-profit grant-making foundation). Here's how it generally functions:

1. **Making a Contribution:** A donor makes an irrevocable charitable contribution—this could be cash, publicly traded securities, or, as we'll explore later, more complex assets like business interests—to establish or add to their DAF.
2. **Receiving a Tax Deduction:** Because the DAF sponsor (like NCF) is a public charity, the donor is eligible for an immediate income tax deduction for the fair market value of the assets contributed in the year you make the gift. NCF, for instance, "issue[s] you the tax receipt. We're the charity."
3. **Assets Held in the DAF:** Once you make the gift, the assets are legally owned by the DAF sponsoring organization but a

separate fund holds the gift that often bears the donor's chosen name (e.g., "The [Your Family Name] Charitable Fund").

4. **Donor Advisory Privileges:** While the gift is irrevocable, the donor (or "fund holder" as NCF calls them) retains "advisory rights" over the fund. This means you can recommend grants from your DAF to support specific qualified charities and causes you care about. As Brandon explains, "You advise us what charities you'd like to make a grant to. Church, Red Cross, Humane Society, Samaritan's Purse, Disaster Relief. Whatever the passion, the cause, and the organization is, you'll make a request to us to issue the grant." The DAF sponsor then typically vets the recommended charity and, if approved, makes the grant from your DAF.
5. **Flexibility in Granting:** One of the key advantages of a DAF is flexibility. "Money has now been irrevocably given to charity," Brandon notes, "it's sitting in an account called a donor advised fund. And then you have... advisory rights." This money "can sit there for a day, a week, a month, a year, ten years." This allows donors to separate the timing of their tax deduction from the timing of their charitable distributions.

Managing and Growing Assets Within Your DAF

What happens to the assets once they are in your DAF? Brandon explains that donors have different strategies:

- **Grant Out Quickly:** Some donors contribute assets and then recommend grants to their chosen charities relatively quickly, not maintaining a large balance in the DAF. "Great," says Brandon, "We love charitable giving. We love granting. We want to support organizations now."
- **Maintain and Grow a Balance:** Other donors "feel more called to a strategy of keeping a balance in the fund, maybe giving off the growth or having the fund in place for five or 10 years and kind of granting the balance down."

For those who wish to maintain a balance and potentially grow it for future granting, DAF sponsors like NCF offer several options:

- **Cash/Money Market:** Assets can simply sit in cash, earning a small amount of interest.
- **Investment Pools:** NCF, for example, has "investment pools on our platform that people can choose from."
- **Working with Your Own Advisor:** For larger DAFs (Brandon mentions a threshold of $300,000 or higher at NCF), "the donor, the fund holder, can request that we work with you and your firm [referring to the donor's financial advisor, like Portus Wealth Advisors] to actually invest and grow... the balance of the fund from an investment standpoint." This allows the DAF's investments to be managed in line with the donor's time horizon and risk tolerance for their charitable capital.

The Donor Advised Fund, therefore, serves as a powerful and flexible central hub for organizing your charitable giving, allowing for strategic contributions, potential growth of charitable assets, and thoughtful distribution to the causes you wish to support over time.

CHAPTER 3

The Untapped Power of Appreciated Assets in Giving

Once you have a Donor Advised Fund (DAF) established as your charitable giving hub, the next strategic question becomes: *what* should you contribute to it? While cash is always welcome, Brandon Davis of the National Christian Foundation (NCF) highlights a powerful, yet often underutilized, opportunity for maximizing both your charitable impact and your tax efficiency: gifting appreciated assets.

The "What We Own vs. What We Give" Disparity

Brandon points out a fascinating imbalance in how most people approach charitable giving. "The statistics are something like 7 to 10 percent of what's held on people's balance[s]... is in cash," he explains. "The rest of it is in non-cash items. Primarily, stocks, bonds, mutual funds, closely held business interests, land, real estate." Yet, when it comes to philanthropy, "we take that little bit of cash, [and] that's how we do up to 95 percent of our giving."

NCF's perspective is clear: "Why don't we use the rest of that balance sheet... that 93%... to actually do a lot of our charitable giving?" This question opens the door to more strategic and tax-efficient ways to support the causes you care about.

The Double Benefit of Gifting Appreciated Marketable Securities

While later chapters will delve into gifting complex assets like private business interests, the principle of tax-efficient giving is most easily understood with appreciated marketable securities (publicly traded stocks, bonds, mutual funds, or ETFs).

Imagine you want to make a $10,000 charitable gift.

- **Option 1: Give Cash.** You write a $10,000 check. This is an after-tax donation (though you'll receive a charitable deduction, assuming you itemize). Simple, but not always the most tax-wise.
- **Option 2: Give Appreciated Stock.** Suppose you own stock currently worth $10,000 that you originally purchased for $1,000 (your "basis"). If you were to sell this stock, you would owe capital gains tax on the $9,000 appreciation. However, if you donate the stock directly to your DAF or another public charity:

    1. **You potentially receive a charitable deduction for the full fair market value** of the stock ($10,000 in this example), assuming you’ve held it for more than a year.
    2. **You generally avoid paying any capital gains tax** on the $9,000 appreciation.
    3. The charity (like NCF, which as a C-corporation equivalent in its tax status for these purposes) can typically sell the stock **without incurring capital gains tax**, meaning the full $10,000 is available for grants.

"The only person that gets cut out is Uncle Sam," Brandon quips, highlighting how the U.S. tax code is structured to encourage such charitable giving. He shares a real-world example: when Piedmont Natural Gas was being acquired by Duke Energy, a donor with highly appreciated Piedmont stock chose to donate it directly to charity before the cash buyout. This allowed the donor to make their intended charitable gifts, receive a full fair market value deduction, and avoid the significant capital gains tax they would have incurred if they had waited for the stock to be converted to cash.

"All day long," Brandon advises, "if you've got appreciated assets in your portfolio, fund your donor advised fund with that. Because that's so much more efficient and effective for charitable giving."

What About Other Non-Cash Assets?

While marketable securities are a common starting point for appreciated asset giving, Brandon mentions that you can donate other assets like interests in land, real estate, and even more esoteric items like intellectual property or mineral rights.

However, some non-cash assets are less suitable for DAFs. For instance, collections (art, guns, etc.) or tangible personal property typically don't yield the same tax benefits when donated to a DAF as they might if given directly to a charity that will use the item for its exempt purpose (e.g., art to a museum for display). "Artwork in the hands of the National Christian Foundation," Brandon notes, "unless we're going to display it on our wall in our office, which we're not, um, doesn't get as much benefit [for the donor's deduction]."

For business owners with significant wealth often tied up in appreciated non-cash assets, understanding these principles is key. By strategically choosing *what* you give, you can often give more generously at a lower net cost to yourself, amplifying your ability to support the causes that matter most to you.

CHAPTER 4

Elevating Your Giving:

Gifting Privately-Held Business Interests

Understanding the tax efficiency of donating appreciated publicly traded stock, as discussed in the previous chapter, naturally leads to a significant question for successful entrepreneurs: "If this works so well for my stock portfolio, what about my most substantial asset—my privately-held business?"

Brandon confirms that this is not only possible but can be an exceptionally powerful way to achieve philanthropic goals, especially in anticipation of a sale or liquidity event.

"If all these concepts [DAFs and appreciated asset giving] work so well together," Brandon reasons, "we should lean into more the idea of giving closely held business interests." Over the years, organizations like NCF have "developed an expertise in that," facilitating gifts of what they term "esoteric, privately held, complex assets." This can include shares in C-corporations and S-corporations, membership units in LLCs, partnership interests, and even other non-cash holdings like land, real estate, or intellectual property rights.

A Proven, Yet Underutilized, Strategy

While the concept might seem novel to some, gifting private business interests is a well-established strategy for sophisticated philanthropy. Brandon shares that NCF alone has facilitated approximately **3,000 complex asset gifts (the majority being business interests) worth over $6 billion.**

This demonstrates two key points:

1. A significant number of charitably inclined business owners have successfully used this approach to make impactful gifts.
2. It has unlocked substantial value for charitable causes.

Despite this track record, Brandon notes, "there's still a lot of people that don't know about it... Not enough, even financial advisors and planners and attorneys know about it, and certainly not a lot of charities themselves know that this can be done." This knowledge gap represents a significant opportunity for business owners who wish to integrate their most valuable asset into their charitable vision.

The Core Concept: Give First, Then Sell

The fundamental principle behind gifting a business interest, particularly before a sale, mirrors that of gifting appreciated stock:

1. The business owner donates a portion of their company (e.g., a percentage of shares or membership units) directly to a Donor Advised Fund (DAF) or other public charity.
2. The donor typically receives an income tax deduction based on the fair market value of the donated interest (as determined by a qualified appraisal, which we'll discuss later).
3. When you sell the entire business to a third-party buyer, the DAF receives its pro-rata share of the sale proceeds.
4. Crucially, because the DAF is a charitable entity, it generally does not pay capital gains tax on the sale of its portion of the business.

This means more of the business's value can flow to charitable purposes, and the donor can achieve significant tax efficiencies compared to selling the entire business themselves and then donating cash from the after-tax proceeds.

Gifting a portion of your privately-held business is undoubtedly more complex than writing a check or donating shares of Apple. It requires careful planning, expert advice, and coordination with organizations experienced in handling such transactions.

However, as Brandon’s and NCF's experience shows, for business owners looking to make a substantial philanthropic impact, it's a strategy that can elevate their giving to an entirely new level. The following chapters will delve deeper into the mechanics, valuation considerations, timing, and real-world examples of this powerful approach.

CHAPTER 5

The Pre-Sale Gift:

Mechanics and Due Diligence

Once a business owner decides to explore gifting an interest in their privately-held company to a Donor Advised Fund (DAF) sponsor like the National Christian Foundation (NCF), the process moves into a phase of careful mechanics and due diligence. This isn't like simply writing a check; it involves the charitable organization becoming a temporary, bona fide co-owner of the business. Brandon explains the key steps and considerations involved in making this happen smoothly and effectively.

NCF as a Temporary Co-Owner

"Ten percent of the business, ten percent of the shares, are literally given to charity," Brandon illustrates, describing a typical scenario. "NCF becomes a bona fide owner of 10 percent of the outstanding shares of the... corporation." This transfer of ownership is what allows the subsequent tax benefits to accrue.

Due Diligence: Reviewing the Fine Print

Before accepting a gift of business interest, organizations like NCF undertake a thorough due diligence process. This is a collaborative effort involving NCF's team, the donor, and their advisors. Key aspects include:

- **Reviewing Legal Documents:** "All kinds of things go into that," Brandon notes. "Can a charity own the business? [Do] the legal documents—the operating agreement, all those kinds of things—allow for that? Do they have the right things in there? Do they have the right protections for outside owners?" NCF's team will carefully examine these documents.

- **Ensuring Smooth Process for All:** As Brandon confirms, NCF actively ensures they are *allowed* to receive the donated shares and that the process is sound. "It's in everybody's interest to make sure all that lines up."

Modifying Agreements if Necessary

What if the company's existing legal documents don't explicitly permit charitable ownership or lack provisions for institutional co-owners?

- **Amendments are Common:** "Not allowed is pretty rare," Brandon says. More often, "it doesn't have enough provisions in it for outside owners or... an institutional owner. So sometimes it's more the case that the documents have to be modified."
- **Agreement Among Owners:** If there are multiple shareholders, you usually need the others' consent for one owner to donate a portion of their shares to charity, as NCF would become a new co-owner. Brandon finds that clear communication about the process and desired outcome typically helps "take some of the pressure off, takes some of the walls down... and typically can be worked through."
- **Complex Scenarios:** While rarely impossible, situations involving companies with many outside investors or prior private equity involvement can be "a little more challenging" due to more complex documents and potentially more resistance to modifications.

The Preference for Non-Voting Shares

A critical point for business owners concerned about maintaining operational control is the type of interest gifted. Charitable organizations like NCF have "no interest in operating the company," Brandon states emphatically. "We're a financial owner... we want the financial interest, not the operating interest."

To address this, the "desired structure" involves the charity receiving **non-voting shares** (or equivalent non-voting membership units in an LLC).

- **Existing Non-Voting Shares:** If the company already has a capital structure with both voting and non-voting shares, the process is simpler.
- **Recapitalization:** "If the conversation is had early enough in the planning stages," Brandon explains, the company "can actually be recapitalized into voting and non-voting [shares]." The donor would then gift a portion of their non-voting shares to the DAF. This ensures the charity holds an economic interest—entitling it to its share of distributions and eventual sale proceeds—without having any say in the day-to-day management or strategic direction of the business, which remains with the original owner(s).

These mechanical and due diligence steps, while detailed, are standard practice for experienced DAF sponsors. They are designed to ensure that the gift is structured soundly, legally compliant, and aligns with the intentions of both the donor and the charitable organization, paving the way for a successful philanthropic outcome when you eventually sell the business.

CHAPTER 6

Valuing Your Charitable Business Gift: Appraisals and Deductions

When you donate an interest in your privately-held business to a DAF or other public charity, one of the key benefits is the potential for a significant income tax deduction. However, unlike donating cash or publicly traded stock (where value is easily determined), valuing a private business interest for charitable deduction purposes requires a specific, formal process. Brandon explains that this is an IRS requirement.

The Mandate for a "Qualified Appraisal"

"When you're substantiating the deduction on your tax return," Brandon notes, "you have to have what's called a qualified appraisal conducted by a qualified appraiser." This isn't a requirement imposed by NCF or the charity itself, but a stipulation from the IRS to ensure the claimed deduction is based on a credible, independent valuation of the gifted asset. This appraisal is one of the necessary expenses involved in making such a sophisticated gift.

Understanding Valuation Discounts for Minority Interests

A common point of confusion for business owners is how the appraised value for a *gifted portion* of their business might differ from a simple pro-rata share of the company's overall Fair Market Value. Brandon clarifies this using an example: if a company has a total Fair Market Value of $16 million, and you gift a 10% interest to charity, the charitable deduction might not be a straight $1.6 million. Instead, it could be a lower figure (e.g., $1.44 million in his illustration, reflecting a 10% discount).

Why the discount? Valuation experts apply these discounts based on standard appraisal principles for minority, non-marketable interests:

- **Lack of Control:** When a charity receives a minority interest (e.g., 10%) in a private company, it doesn't have control over the company's management, operational decisions, or the timing of a future sale. This lack of control makes the gifted interest less valuable on a per-share basis than a controlling interest.
- **Lack of Marketability:** Unlike publicly traded shares, a minority interest in a private business cannot be easily or quickly sold on an open market. This illiquidity also reduces its assessed value for gifting purposes.

Brandon explains the appraiser's perspective: "If you're giving a portion of it to charity, charity doesn't have the ability to sell it to anybody they want to. They only own a minority interest in the business... It's not worth [the full pro-rata amount]. There's got to be a discount applied to it."

Impact on Deduction vs. Eventual Charitable Proceeds

It's important to understand what this discount affects. "It doesn't affect the market value of the company [as a whole if the entire company is sold later]," Brandon clarifies. "It only affects the kind of paper value of the company for purposes of what piece you might be giving the charity [and thus the size of your immediate tax deduction]."

In the C-corporation example Brandon uses (detailed further in the next chapter), although the charitable deduction for the 10% gift might be calculated on a discounted value (e.g., $1.44 million), when the *entire* company is later sold for its full $16 million Fair Market Value, the DAF still receives its full 10% of the actual cash proceeds ($1.6 million). The discount applies to the valuation of the gift *at the time it is made* for tax deduction purposes.

While aiming for a lower appraised value for your charitable deduction might seem counterintuitive (as business owners usually want to see high valuations for their company), in the context of gifting, a supportable, discounted valuation means you use up less of your annual charitable deduction limits (which are based on Adjusted Gross Income) for that specific gift, potentially allowing for more tax-efficient giving overall.

Navigating the appraisal process and understanding valuation discounts are key components of structuring a charitable gift of business interest. Working with experienced advisors—including a qualified appraiser, your CPA, and the DAF sponsoring organization—is essential to ensure compliance and maximize the intended benefits for both you and your chosen causes.

CHAPTER 7

Case Study:

Maximizing Impact Through a Pre-Sale C-Corporation Gift

The concept of gifting a portion of your privately-held business to charity before a sale can sound complex, but a clear example can illuminate its powerful benefits. Brandon often uses a case study involving a C-corporation to illustrate how this strategy can cause significantly more funds going to your chosen causes while also being highly tax-efficient for you, the donor.

The Scenario:

Let's consider a common situation:

- **Business:** A C-corporation with an estimated Fair Market Value (FMV) of **$16 million**.
- **Owner's Intent:** The owner is charitably inclined and plans to donate approximately 10% of the company's value to charity around the time of an anticipated sale.
- **Basis:** The owner's tax basis in the company is $2 million.
- **Valuation Discount:** For the purpose of the charitable deduction on the 10% gift of private stock, a 10% valuation discount is applied (as discussed in Chapter 6). So, a 10% interest ($1.6 million pro-rata FMV) would yield a charitable deduction of approximately **$1.44 million**.
- **Tax Assumptions:** For simplicity, let's assume combined federal and state tax rates (ordinary income and capital gains, including Net

Investment Income Tax).

Brandon and his team at NCF typically prepare a "gift illustration" to compare outcomes:

Baseline Scenario: Sell the Entire Business, No Initial Charitable Gift If the owner sells the $16 million company and makes no charitable gift at the time of sale:

- Gross Sale Proceeds: $16 million
- Approximate Taxes Paid (on the $14 million gain): **$3.33 million**
- Net to Family/Owner: **$12.67 million** *(Brandon notes this isn't usually "Plan A" if charitable intent already exists, but it's a useful starting point.)*

Option 1: Sell First, Then Donate Cash from Proceeds Here, the owner sells the $16 million company first, pays the taxes, and *then* donates 10% of their net proceeds ($12.67 million x 10% = $1.267 million) to their Donor Advised Fund (DAF).

- Amount to Charity (DAF): **$1.267 million**
- Tax Deduction for Cash Gift: $1.267 million (reduces taxable income)
- Approximate Taxes Paid (after charitable deduction): **$2.8 million**
- Net to Family/Owner: **$11.87 million** (approx. after their cash gift and tax impact)

This is a common approach, but is it the most effective? Let’s see.

Option 2: Gift 10% of the Business *Before* the Sale In this strategic approach, the owner donates 10% of the C-corporation stock to their DAF *before* the sale is finalized.

- **Charitable Deduction:** As noted, the owner receives an income tax deduction of approximately **$1.44 million** (based on the discounted appraised value of the 10% interest).
- **Sale Process:** When the entire $16 million company is sold:
    - The DAF receives its 10% share of the proceeds: **$1.6 million**. Critically, for a C-corporation gift like this, the DAF (as a

charitable entity) typically pays **no capital gains tax** on its portion of the sale.
    - The owner sells their remaining 90% interest.
- **Financial Outcome:**
    - Amount to Charity (DAF): **$1.6 million**
    - Approximate Taxes Paid (by owner on their 90% share, factoring in the larger deduction): **$2.4 million**
    - Net to Family/Owner: **$11.9 million** (approx.)

Comparing Option 1 and Option 2:

By gifting the business interest *before* the sale (Option 2) instead of selling first and giving cash (Option 1):

- **More for Charity:** The DAF receives **$1.6 million** instead of $1.267 million—an increase of **$333,000** for your chosen causes.
- **Lower Tax Bill:** The owner's overall tax bill is reduced by nearly **$400,000**.
- **Family Benefits:** The net amount to the family is actually slightly *higher* (around $11.9 million vs. $11.87 million).

"Most givers would say, 'Absolutely, like I will go through the extra steps to get that result for the charities and the causes that I'm passionate about,'" says Brandon.

Option 3: Maximizing the Charitable Gift Further Brandon also presents a scenario where the family decides they are content with the $11.87 million net proceeds they would have received in Option 1. By using the pre-sale gifting strategy, they could then gift a slightly larger percentage of the company (around 11% in this example) to direct even more to charity ($1.74 million) while still achieving their desired net for the family.

Minimum Gift Thresholds for Complex Assets While powerful, these strategies for gifting complex assets like private business interests involve costs for appraisals, legal, and accounting advice. Because of this, Brandon suggests a general minimum gift threshold: "Particularly with a privately held business... [a] minimum threshold of a gift would be about $300,000. $400,000 to $500,000 would be kind of the minimum threshold." Below this, the transactional costs might outweigh the tax benefits of the complex gift. (He does note that some simpler real estate gifts might work at lower amounts).

This C-corporation case study demonstrates that for charitably inclined business owners anticipating a sale, the pre-sale gift of a business interest can be a profoundly effective way to amplify their philanthropic impact while also achieving significant tax efficiencies.

CHAPTER 8

Timing is Everything:

The "Sweet Spot" for Your Charitable Business Gift

Now, you understand the "why" and the "what" of gifting a business interest for charity. The next crucial question: *when* should you make the gift?

As Brandon explains, while there's a definitive "too late" moment, the "earlier the better" principle generally provides the strongest foundation for this powerful philanthropic strategy.

The Bright Line: Before a Legally Binding Sale

There's a clear deadline imposed by the IRS. "The bright line that we know is, if you're under what's called a legally binding [agreement to sell the company]... That's too late," Brandon states unequivocally. "The IRS at that point would say... you've already essentially incurred the gain, the income tax. And so it's too late to give it to a charity [and receive the primary tax benefits associated with gifting an appreciated asset before a sale]."

While some donors might be tempted to make the gift "a nanosecond before I sell," and the IRS has historically failed when trying to challenge gifts made just before a sale *as long as no legally binding agreement was in place*, Brandon advises that pushing this boundary involves navigating a grey area.

"The Earlier in the Process, The Better"

To ensure the smoothest and most defensible charitable gift, Brandon advocates for early planning. "As you start planning and kind of demonstrate, like, look, I have charitable intent... that's a great planning scenario."

This proactive approach offers several advantages:

- **Clear Charitable Intent:** It solidifies the philanthropic motivation behind the gift.
- **Flexibility:** Even if a specific anticipated sale doesn't materialize, the gift has been made. "If it doesn't [go through]," Brandon says, "I've given this portion of the company to charity and I know I'll sell it, eventually. I'm great with that. And in the meantime, we as a charity... can hold the interest until such time as it sells."

The "Give and Hold" Strategy: Benefits of Early Gifting

For owners who aren't on the immediate cusp of a sale but are charitably inclined and anticipate an eventual liquidity event, the "give and hold" strategy can be particularly attractive.

This involves donating a portion of the business to a Donor Advised Fund (DAF) well in advance of a sale.

Brandon highlights key tax benefits to this approach, which can counter the thought of "why give early if the asset will appreciate more in my hands?":

1. **Upfront Deduction:** The donor still receives an income tax deduction in the year of the gift (as discussed in Chapter 6).
2. **Tax-Advantaged Income/Distributions:** "Income or distributions on the portion in the hands of charity while we hold it are tax advantaged," Brandon explains. If the business makes profit distributions, the portion flowing to the DAF is taxed at a much lower rate (if at all) than if the owner received it directly. This also means the DAF receives cash that can be granted out to charities during the holding period.
3. **Reduced/Eliminated Capital Gains on Sale:** When the business is eventually sold, the capital gains tax on the charity's portion is typically eliminated or significantly reduced.

Strategic Annual Gifting

Instead of a single large gift, some owners opt for a strategy of annual gifting. "We will have some givers that say, hey, it usually works out to be something like 2 to 3 to 4 percent of the company each year to maximize my 30 percent adjusted gross income charitable deduction on non-cash gifts," Brandon notes. "Over the course of [several] years you then get a 10, 15, 20 percent portion of the company in the hands of charity, but you're not doing it all at once."

Estate Tax Considerations

Early gifting of business interests can also align with broader estate planning goals. As Brandon confirms, "Clearly anything you give away, particularly to charity during life is going to naturally lower your... taxable estate, therefore your estate tax liability, if you have one." For owners concerned about future estate taxes, gifting portions of a rapidly appreciating business earlier allows that future growth to occur outside of their taxable estate.

While there's a window of opportunity to make a gift right up until a sale becomes legally binding, proactive planning and earlier execution of your charitable gift generally provide greater certainty, flexibility, and potentially enhanced benefits for both your philanthropic goals and your overall financial strategy.

CHAPTER 9

Navigating Practicalities:

DAF Rules, Buyer Perceptions, and Estate Synergies

As you contemplate the powerful strategy of gifting business interests to charity before a sale, several practical questions often arise. Understanding the rules governing Donor Advised Funds (DAFs), how potential buyers might perceive such arrangements, and how these gifts synergize with overall estate planning can provide greater confidence in moving forward.

DAF Granting Requirements: Flexibility for Donors

A frequent question is whether funds contributed to a DAF must be granted out to operating charities within a specific timeframe. "With regard to the grants," Brandon clarifies, "there are, at least currently, no requirements to send dollars out of your... Donor Advised Fund." This differs significantly from private foundations, which typically have a mandatory annual 5% payout requirement.

"You can kind of leave the money in a donor advised fund, grow it for future granting purposes," he adds. While some DAF sponsors might have their own policies, current IRS regulations do not impose a minimum annual distribution for DAFs. Brandon does note, however, that "statistically speaking, we [at NCF] tend to see... our donors' donor advised funds granting out at a pretty high rate, which again, philosophically we love to see." While there's no immediate pressure from lawmakers to change these rules, the flexibility DAFs offer in the timing of grants is a key advantage for donors.

Perception of Potential Business Buyers: Will a Charitable Stake Dissuade Them?

Another concern for owners looking to sell their business is whether having a charity (like NCF, on behalf of a DAF) as a minority shareholder, even temporarily, might complicate or discourage potential buyers.

"Rarely is the answer I would give," Brandon states based on NCF's extensive experience. "I can't say that a potential buyer isn't ever curious about that." The solution, he emphasizes, is **communication.** "If you are already engaged in the process of potentially selling... and you decide you want to make a charitable gift... bringing a potential buyer in... along the way or once you've kind of decided and having good communication about it as early as possible is a best practice."

Organizations like NCF are often involved in these conversations to explain the straightforward nature of their role as a temporary, passive financial owner, usually holding non-voting shares (as discussed in Chapter 5). "We haven't seen it dissuade a lot of [buyers]," Brandon concludes. "It does have to be kind of navigated, for sure... Just good, good advanced communication."

Synergy with Estate Planning Goals

Strategic charitable giving, especially of significant assets like business interests, naturally complements broader estate planning objectives. Lifetime gifts to charity serve to reduce the donor's taxable estate. "Clearly anything you give away, particularly to charity during life is going to naturally lower your... taxable estate, therefore your estate tax liability, if you have one," Brandon confirms.

This means that the same act of making a tax-efficient charitable gift before a business sale not only supports your philanthropic passions and reduces current income/capital gains taxes but can also lessen potential future estate taxes. This creates a powerful synergy, aligning your desire to give back with prudent long-term wealth transfer planning.

By understanding these practical aspects—the flexibility of DAF granting, the manageable nature of buyer perceptions with good communication, and the inherent estate planning benefits—business owners can more confidently integrate strategic charitable giving into their overall financial and legacy plans.

CHAPTER 10

Fueling Your Philanthropy:

The Power of Passion and Purpose in Giving

We've explored the strategic advantages and tax efficiencies of gifting appreciated assets, particularly interests in your privately-held business, through tools like Donor Advised Funds. While the financial mechanics are compelling, Brandon emphasizes that the most profound and sustainable philanthropic endeavors are fueled by something deeper: *a genuine passion and a clear sense of purpose.*

When a business owner considers a significant charitable undertaking, Brandon often starts with some simple yet powerful questions: **"What is it that you're passionate about? What is the cause? What is the organization?"**]

He finds that "typically donors have that one cause or one organization or one thing they know they want to pursue."

"Let that kind of be the driver," he advises. "That's your charitable intent. That's the goal you're after to go through the steps to do this." Understanding your "why" provides the motivation and resilience to navigate the planning and execution of more sophisticated giving strategies.

Brandon shares a vivid example to illustrate this point: A donor was deeply moved by the work of Samaritan's Purse and learned that they could establish and deploy a fully equipped field hospital—building it, flying it overseas on a cargo plane, operating it, and then leaving it for local communities to run—for approximately $5 million. This donor, who was contemplating a sale or recapitalization of his business, became incredibly excited by the prospect of funding such a project.

"This whole scenario came together," Brandon recounts. The donor's thought process became: "I'm going to give $5 million [worth] of my business to NCF, to charity. Eventually, we're going to sell it, we'll have liquidity, and I can fund a field hospital."

It was this tangible, inspiring vision—the idea of enabling a life-saving medical facility—that fueled his commitment. "The idea of like that driving it makes going through the steps... gives you a lot more passion and kind of fire to go through the steps to actually get this done, when you know what the end result is that you're after," Brandon concludes.

For business owners who have dedicated years, even decades, to building successful enterprises, the opportunity to channel that success into causes greater than themselves can be a profoundly rewarding chapter.

The strategies discussed allow you to be a good steward of your resources, maximizing your impact. But it is the clarity of your philanthropic vision, your passion for a particular need or organization, that will ultimately make the journey of strategic giving one of the most meaningful aspects of your legacy.

By aligning your financial achievements with your deepest values, you not only contribute to a better world but also create an enduring testament to a life lived with purpose and generosity.

YOUR EXIT, YOUR LEGACY

Continuing the Journey with Confidence

Thank you for joining us on this strategic journey through **Charting Your Exit: Expert Insights on Valuing, Selling, and Transitioning Your Business.** The path from building a successful business to navigating a rewarding exit and thoughtfully considering your lasting impact is a profound one. We trust that the collective wisdom of Robert Snowden, Jay Ripley, Martin Eveleigh, and Brandon Davis has provided you with a clearer understanding, actionable strategies, and renewed confidence for the road ahead.

From the foundational principles of business valuation and the strategic intricacies of selling to private equity, to the invaluable lessons from a real-world sale and the inspiring possibilities of strategic philanthropy, this volume has aimed to cover the critical arc of an entrepreneur's transition.

Remember, a successful outcome in these endeavors is rarely a matter of chance; it is the product of diligent preparation, expert guidance, and a clear vision for your future.

The "Charting Opportunities" series will continue to bring you insights from leading experts on topics vital to business owners. We plan to release new curated volumes like this one periodically, typically after every six expert interviews, ensuring you have an ever-growing resource for your entrepreneurial journey.

Want to dive deeper into these discussions? The full conversations with each of our experts are available on our YouTube channel, offering even more detail and context:

- **Watch the full ["Charting Opportunities" interviews here](#)**, or scan the QR Code below.

Ready to apply these insights and take your business and financial planning to the next level? The journey of valuing, selling, and transitioning your business is unique to your circumstances.

The team at **Portus Wealth Advisors** is dedicated to providing comprehensive financial planning and investment management, helping business owners like you navigate these pivotal moments and integrate them seamlessly with your overall financial life.

- **To discuss your specific situation and how to best prepare for your future, contact Portus Wealth Advisors today**, or scan the QR Code below.

May the knowledge gained here empower you to chart a course that not only maximizes the rewards of your hard work but also leads to a future filled with purpose, fulfillment, and a meaningful legacy.

ABOUT THE EXPERTS

Robert Snowden

Robert Snowden is the Founder and Managing Director of South Park Advisors, an independent business valuation firm dedicated to serving business owners, attorneys, accountants, and financial planners. With over 25 years of experience, Rob has provided expert valuation services to a diverse range of private and public companies, from small enterprises to those with sales exceeding $1 billion.

Rob's approach to valuation is guided by his philosophy: "I believe in working closely with a client to understand 'the story' behind the numbers. If you don't know the story, you can make the numbers say anything." This commitment to a deep understanding underpins his work across a wide spectrum of valuation services, including estate and gift tax reporting, ownership transition and advisory, dispute resolution, Employee Stock Ownership Plans (ESOPs), equity sales, and buy/sell agreements. His extensive knowledge also covers business and financial research.

An Accredited Senior Appraiser (ASA) with the American Society of Appraisers and Accredited in Business Valuation (ABV) by the American Institute of Certified Public Accountants, Rob holds an MBA from the Rochester Institute of Technology and a BS in Management from the State University of New York at Geneseo. His broad industry expertise encompasses sectors such as manufacturing, professional services, healthcare, technology, and real estate holdings, among many others.

Learn more about Robert and South Park Advisors or connect with him on LinkedIn.

Jay Ripley

Jay Ripley is a Partner, Head of the Investment Research Group, and Deputy Managing Partner at GEM. In this significant role, he leads an integrated investment team responsible for covering public, private, and impact investing, aligning with GEM's focus on building tailored, long-term portfolios for institutional clients.

Prior to joining GEM in 2014, Jay honed his expertise for six years at Stone Point Capital, a leading private equity firm. He received his B.B.A. in Finance from the University of Georgia. Jay's leadership contributes to GEM's approach of sourcing and underwriting unique investment opportunities through differentiated networks and extensive experience.

Learn more about Jay on GEM's website or connect with him on LinkedIn.

Martin Eveleigh

Martin Eveleigh is a distinguished figure in the captive insurance industry, having recently retired in 2024 as Managing Director and Chairman of Risk Management Advisors (RMA). He is the founder of Atlas Insurance Management, which he established in 2002 and grew into a significant independent captive manager before its acquisition. Mr. Eveleigh continues to contribute his expertise in a consulting role for Risk Management Advisors.

His extensive career, beginning in 1983 as a broker in the Lloyd's of London market, includes pivotal roles such as Executive Director of the International Reinsurance Division of Willis, where he negotiated some of the world's largest marine excess of loss programs. Known for his "flair for innovation," Mr. Eveleigh has specialized in designing alternative risk transfer programs, particularly risk pools and captive structures. He has made significant contributions to the industry by drafting legislation and regulatory guidance for multiple jurisdictions and was instrumental in the early development of the North Carolina captive domicile, serving as the second chairman of the North Carolina Captive Insurance Association (NCCIA).

Mr. Eveleigh holds a Master of Arts degree from Oxford University, where he read Jurisprudence and is a Barrister-at-Law. He is also a Chartered Insurance Practitioner and an Associate of the Chartered Insurance Institute.

Connect with Martin Eveleigh on LinkedIn.

Brandon Davis

Brandon Davis serves as President of NCF Carolinas, an affiliate of the National Christian Foundation, an organization he joined in May 2017. In his role, Brandon is responsible for executing day-to-day operations, developing gift opportunities, and serving givers in the Charlotte area and beyond.

With over 18 years of dedicated experience in finance, insurance, and wealth management, Brandon brings a wealth of knowledge to his position. Prior to NCF, he served as a Wealth Advisor with Rinehart Wealth & Investment Advisory, providing comprehensive financial planning, and as an insurance advisor, structuring and implementing life insurance plans for affluent families. His earlier career includes roles as Principal and Vice President of The Morehead Group, and four years at Wachovia Capital Markets as a corporate financial analyst and an associate in the bank's institutional investor management group.

Brandon graduated with distinction from the University of North Carolina at Chapel Hill with a Bachelor of Science in Business Administration and is a Certified Financial Planner™ (CFP®) professional. He is a Past President of the Financial Planning Association of Charlotte and a member of the Charlotte Estate Planning Council and the Society of Financial Service Professionals. Brandon is also an active member of Uptown Church, where he serves as a Finance Deacon.

Learn more about Brandon and NCF Carolinas or connect with him on LinkedIn.

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We also extend a heartfelt thank you to the loyal clients of Portus Wealth Advisors. Your trust and partnership inspire us daily and make endeavors like this possible.

Finally, a special thank you to our dedicated community of readers and the followers of our Charting Opportunities newsletter. Your engagement and enthusiasm for learning are what drive us to continue exploring and sharing these important topics.

We hope this collection of insights proves to be a valuable resource for you all.