COLTER LEWIS INVESTMENT PARTNERS

Private Wealth Advisory • Multi-Family Office • Greenwich, CT

The Insider's Guide to Selling Your Business: Controlling the Narrative (What Your Banker Won't Tell You)

Founder's Exit Series • Part II of III

Part I of this series addressed what founders of businesses with enterprise values in excess of $50M should do to prepare their personal balance sheets before a sale of their business is in sight, the estate planning, tax structuring, and investment strategies that must be in place years in advance. This paper picks up where that one left off. You have decided to sell. How you manage the process will determine whether the experience is one you look back on with satisfaction or regret. While this paper focuses on control sales, many aspects are also applicable to raising minority capital and even IPOs.

What follows is the advice I would give a close friend. Not the polished version. The real version.

I. Assembling Your Deal Team: The Banker and The Lawyer

The two most consequential relationships in any M&A process are the investment banker who runs the sale and the M&A attorney who documents it. Most founders spend more energy on the banker selection than on the lawyer. That does not make sense. Both decisions deserve the same rigor, because mistakes in either direction are expensive and difficult to reverse once the process is underway. In fact, it can often make sense to hire the lawyer before the banker.

A. Selecting Your Investment Banker

Most founders pick the banker who called them first, dazzled them with a pitch book, or showed the most impressive tombstones. That is not how to do it.

What You Are Actually Buying

You are not buying a brand. You are buying a specific team — the senior banker who will run your process and the junior team who will staff it. Ask directly in every pitch: do you, personally, have all the deal experience you're describing? Who will be talking to the buyers and who will be in the room for every management presentation?

The Practitioner's Insight

A great banker at a boutique firm will outperform a mediocre banker at a bulge bracket bank every time. The brand might open doors if your business doesn't, but the banker closes them. Hire the banker, not the logo.

Industry Expertise Is Not Optional

The single most important substantive criterion in banker selection is deep, current expertise in your industry: which strategic buyers are acquisitive and why, which private equity firms have active theses in your sector, what multiples are, and which comparable transactions are most analogous to your business. A banker without that knowledge will struggle to frame your story in the right way to the right buyers. To evaluate bankers, ask every candidate to walk you through the five most relevant transactions in your sector in the last two years: who bought, at what multiple, and why. Follow that up by asking who the banker thinks are the best buyers for your business and who specifically they will call at each potential buyer to present your company. If the answers are vague or rehearsed from a press release, keep looking.

Bulge Bracket vs. Boutique

For a business with enterprise value between $50M and $750M, an elite boutique will almost always outperform a bulge bracket. Your deal is important, possibly career-making for the boutique banker, but a rounding error for the bulge bracket. Boutiques who specialize in your industry can also run tighter, more efficient processes. That said, if your likely buyer universe is heavily weighted toward large strategic acquirers who respond to brand, a recognized name might help open doors or get to the decision maker. The answer depends on who is most likely to write the biggest check.

The Dirty Secret of Banker Incentives

Your banker's fee is almost entirely success-based and almost entirely tied to the closing of a transaction — any transaction. Most engagement letters have a "no-deal, no-fee" structure. This means your banker is financially incentivized to close a deal, even a mediocre one, rather than walk away from a process that is not going well. A good banker will tell you when to pull the plug. A bad one will push you across the finish line at a price that serves their interest more than your outcome. Understand that tension.

Fee Structures and How to Negotiate Them

The standard Lehman formula — roughly 1% of transaction value — is only a starting point. For transactions above $100M, fees compress. The more important negotiation is on the structure of the fee, not just the percentage. Push for a tiered "super-fee" above a threshold you set: if the banker gets you above $X, they earn an incrementally higher percentage on the excess. This better aligns their incentive with yours.

What to Ask in Every Banker Pitch

How many of your mandates in the last three years did not close, and why? A banker who has never walked away from a bad process is either very lucky or not telling you the truth.

B. Selecting Your M&A Attorney

Founders routinely underestimate the importance of M&A legal counsel, especially as a lot of value can be lost via the contract. Some owners default to selecting their existing corporate attorney or accepting whoever their banker recommends. Neither approach serves you well. Unlike your banker, your attorney is paid by the hour regardless of outcome, which creates its own tension. The best M&A attorneys understand that your goal is the best economic outcome, not the most exhaustively negotiated agreement.

Transaction Experience Is Everything

M&A documentation is highly specialized, and an experienced deal attorney will protect you in ways a generalist simply cannot. Ask every attorney you consider how many sell-side transactions they personally closed in the last three years, at what scale, and in your industry. You want someone who has seen the tricks before, because buyers' counsel will use them.

Independent Counsel Is Non-Negotiable

Your banker will often suggest preferred law firms, attorneys that work efficiently within their process. Understand the relationship. The most important quality in your attorney is a willingness to push back on the banker, the buyer, and if necessary on you, when something is not in your interest. Hire counsel with a focus on representing founders on the sell side and with no ongoing relationship with the likely buyer's firm (whether that is private equity or strategic) that might soften their advocacy.

The Practitioner's Insight

Your attorney and your banker need to work together efficiently, but they should not be too comfortable with each other. Mild tension between them usually means both are doing their jobs. Also, occasionally, some lawyers will ask for a success fee. Reject that idea. You want your attorney compensated in a different way.

II. Preparation: What You Don't Know Can Hurt You

The Management Presentation Is a Performance

Buyers are not just evaluating your business in a management presentation. They are evaluating you and your senior management team. Private equity firms in particular are asking one question above all others: do I want to be in business with this person or team for the next four to six years? Your job is to be confident without being arrogant, thorough without being defensive, and honest about risks without catastrophizing them. The founders who stumble are almost always the ones who have not practiced. Every answer to a tough question should be rehearsed until it sounds unrehearsed.

The toughest questions are usually the same: customer concentration, key-person dependency (usually you), margin sustainability, technology / AI risk, and the competitive moat. If a number in your data room is going to surprise a buyer, surface it yourself before they find it. A surprise you disclose is a data point. A surprise they discover is a red flag.

The Adjusted EBITDA Conversation

One of the most consequential — and most contested — elements of any sale process is the adjusted EBITDA figure that anchors your valuation. Buyers pay a multiple of earnings, which means every dollar of credible EBITDA adjustment translates directly into purchase price. The goal is to present a figure that reflects the true, normalized earnings power of the business, stripped of items that are genuinely non-recurring or that reflect historical choices rather than ongoing operating reality.

Common and defensible adjustments include one-time legal settlements, costs associated with a facility closure, executive compensation above market for a role that will be replaced, and, importantly pro forma adjustments for investments whose benefits have not yet fully flowed through the income statement. If you opened a new factory, launched a new business unit, or signed a major contract in the last twelve months, a buyer should see the run-rate contribution of that investment,

not just the partial-year results that appear in your historical financials. A new store that opened in October does not look like much in a calendar-year P&L, but a full-year annualization tells a very different story.

Your banker and your accountants will both be involved in building and defending this analysis. Understand going in that buyers will challenge every adjustment and the potential buyers' accounting firm doing the quality-of-earnings work will be skeptical by design. The adjustments that survive are the ones that can be documented clearly and connected logically to a non-recurring event or a growth investment with identifiable economics. The ones that fail look like permanent costs being relabeled as one-time items.

The Banker's Rule

Do not put an EBITDA adjustment in your model that you cannot defend in a room full of skeptical buyers and their accountants. An overly aggressive adjustment that gets knocked down in diligence can do more damage than not taking it in the first place. It signals that all your numbers should be questioned.

The Data Room Is a Due Diligence Document and a Marketing Document

Most founders treat the data room as a compliance exercise — just dump in the documents the bankers and legal ask for. The best founders treat it as a curated narrative. The order in which information is presented, the quality of the financial analysis included, and even the cleanliness of the file names signal something about how the business is run. A messy data room suggests to a buyer that the business may be messy too. Never put a document in the data room that you would not be comfortable reading aloud in a negotiation. Everything in the room is discoverable and everything discovered will be used.

Exclusivity Is the Most Dangerous Moment in the Process

Once you grant exclusivity to a buyer, your leverage largely disappears. They know you have taken the business off the market and that re-running the process would be damaging, expensive and time-consuming. This is when re-trades happen: price chips, earnout provisions appear, reps and warranties tighten, and indemnification caps shrink. The best defense is to avoid it altogether. Do everything you can to conclude your process without exclusivity by front-loading all the diligence and requiring bidders to negotiate purchase and sale agreements before final bids. If you have to go there, agree as many detailed deal terms as possible in the term sheet and only offer a compressed exclusivity window for confirmatory diligence. By compressed, I mean keep it to thirty days, forty-five maximum, and a clear written understanding of what constitutes a material change in terms.

III. Deal Structure: Where Money Can Go Missing

Valuation Is a Headline. Economics Is What You Keep.

Two deals at the same enterprise value can produce significantly different outcomes depending on structure. The variables that matter most are the ones buyers negotiate hardest and founders understand least.

- **Rollover equity.** Private equity buyers will almost always ask you to roll a portion of your proceeds into equity in the combined entity, unless you have been clear from the beginning that you are leaving the company. Rolling equity is not charity, it is how the buyer aligns your incentives with theirs. From your point of view, this can also be an important value driver,

allowing you “another bite at the apple” down the road. The question then becomes not whether to roll, but how much, on what terms and with what governance rights? Before you approach buyers, you should have a clear view of what kind of exit you want: full or partial. It is difficult to switch midstream.

- **Earnouts.** A promise to pay you more if the business performs in the near to medium term. In practice, earnouts can be tricky. They can be subject to enormous definitional disputes and often favor the buyer who now controls the business and its accounting. If you decide to accept one, keep it short (twelve to twenty-four months), tie it to a single objective metric such as revenue rather than EBITDA, and limit the buyer’s ability to change the business in ways that affect your ability to earn it.
- **Representations, warranties, and indemnification.** You will be asked to make dozens of representations about your business, each a potential source of liability. The cap on your indemnification exposure, the survival period, and the basket are all negotiable. Representation and warranty insurance has become standard in transactions above $50M and dramatically reduces your personal exposure. If your banker is not proactively discussing RWI, raise it yourself.
- **Working capital pegs.** Every acquisition agreement includes a working capital adjustment that settles the difference between the working capital delivered at closing and a negotiated target. Buyers routinely set a high target in the agreement, when founders are not paying attention, then collect the difference at closing. Get your CFO and your financial advisor to stress-test the peg before you sign. This is where millions of dollars can quietly disappear.

IV. Managing the Process: What Your Banker Will Not Tell You

How Broad Should the Buyer List Be?

The question of how many buyers to approach is one of the most important decisions in a sale process, and one where your banker’s incentives and yours may not be aligned. A targeted process, for example five to ten highly qualified buyers, preserves confidentiality, signals selectivity, and creates a more efficient process. Every party in a broad process is a potential leak, and leaks to employees, customers, or competitors can damage the business before a deal closes. That said, there are situations where going broader genuinely serves the seller: when the buyer universe is fragmented, when strategic and financial buyers have meaningfully different valuation perspectives, or when it is unclear who will be most motivated. The discipline is in being intentional rather than defaulting to going broad.

Here is one tension worth understanding: bankers have a professional interest in running broad processes beyond what is best for you. A sell-side mandate gives a banker the opportunity to call dozens of potential buyers, re-establish relationships, and signal active deal flow, all of which is reputation-enhancing for them regardless of whether it produces an efficient outcome for you. I have made the argument myself: “why not go broad, we might be pleasantly surprised.” But there is a cost. A good banker will have a clear, articulated rationale for why each name on the buyer list belongs there. If the list feels padded, it probably is.

The Moment Your Banker May Stop Being Your Biggest Advocate

It often happens shortly before every signing. The deal is nearly agreed, something is contentious, and your banker quietly suggests you take the deal as proposed because the alternative is blowing up the transaction. Sometimes that advice is absolutely right. You will probably also be tired of the process. But understand what else is happening: a banker who has worked the deal for nine months and is staring at a seven-figure fee may have a different incentive than you do. The best counterweight is having independent counsel you trust who has no economic stake in whether the deal closes.

Your Employees Do Not Need to Know, and That Is the Right Answer

One of the most common mistakes founders make is telling too many employees about a potential sale before a deal is signed. The instinct is understandable, after all these are people you trust. But information travels, intentions are misread, and people may start exploring their options the moment they sense uncertainty. Keep the circle tight, only to those you need to help put your business in the best light. The right time to communicate with your broader team is after signing, with a clear message about what changes and what does not.

The Bottom Line

The difference between a great outcome and a merely good one in an M&A transaction is almost never the quality of your business. It is the quality of your preparation, your team, and your ability to understand a negotiation you have probably never run before. Hire advisors who have done this hundreds of times, prepare as if the process will be adversarial even when it feels collaborative, and protect your leverage at every stage. The buyers across the table often do this for a living. You should be surrounded by similar experts.

Part III of this series will address what to do after the wire arrives: how to invest, protect, and deploy the proceeds of a liquidity event over a multi-decade horizon.

About the Author

Perry Hoffmeister is the Co-Founder and Managing Partner of Colter Lewis Investment Partners. Over a nearly 30-year investment banking career before co-founding Colter Lewis, he ran Telecom & Media Investment Banking and then European Investment Banking for Lehman Brothers and was thereafter the CEO of the Global Investment & Corporate Bank at BMO Capital Markets. In those roles he advised senior executives and boards of directors on a variety of M&A and other strategic transactions. Perry served as a trusted advisor to public and private companies, private equity firms, and founders navigating liquidity events. He now brings that institutional perspective directly to bear on the personal financial lives of ultra-high-net-worth clients and their families.

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