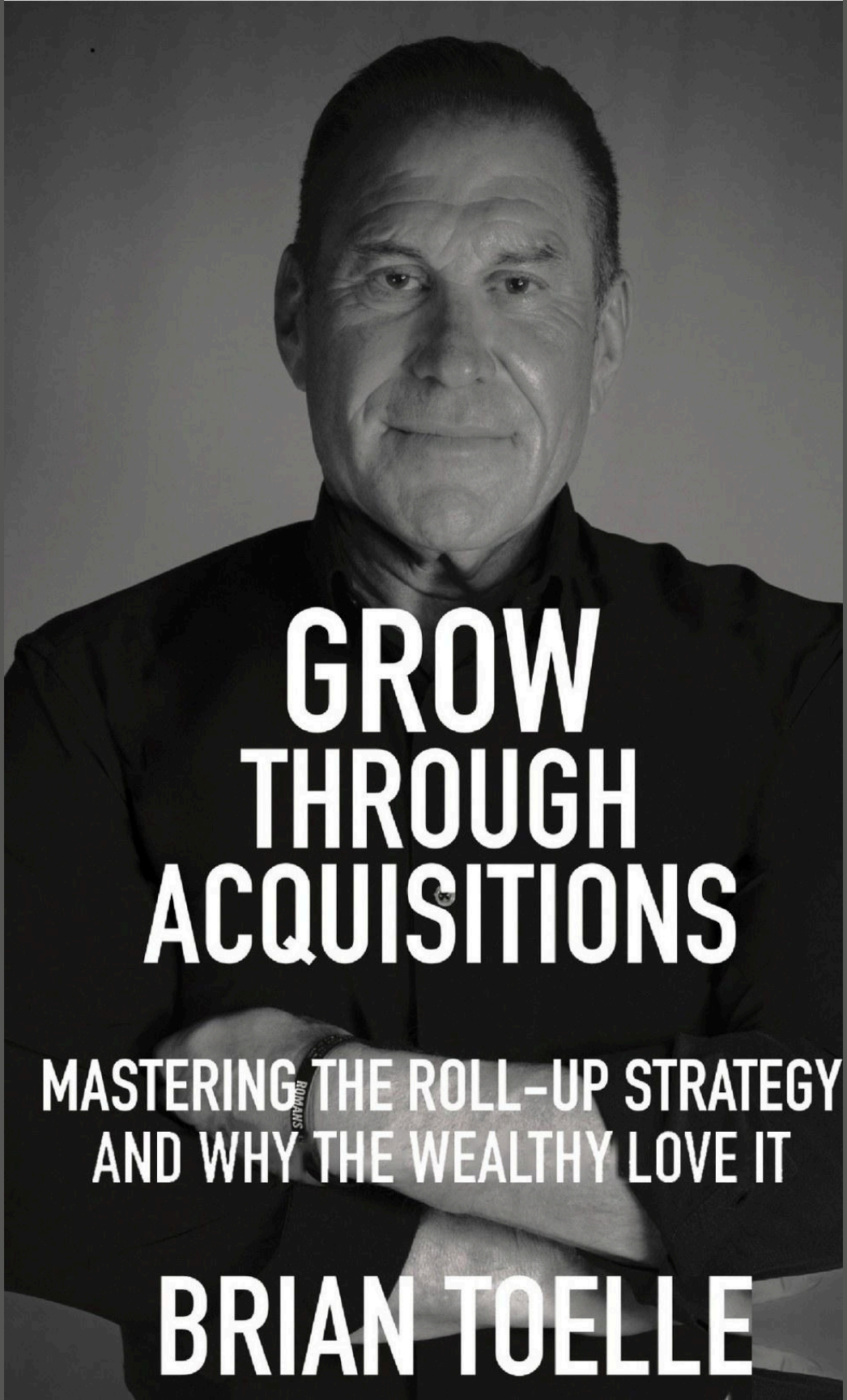

GROW
THROUGH
ACQUISITIONS
MASTERING THE ROLL-UP STRATEGY
AND WHY THE WEALTHY LOVE IT
BRIAN TOELLE

Grow Through Acquisitions

Mastering the Roll-Up Strategy and Why the Wealthy Love It

Brian Toelle

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OPENING

We Never Answered the Phone "Hello"

In our house the phone never got answered "hello." It got answered "Toelle Surge."

My dad sold Surge milking machines to the dairy farmers around Colby, Wisconsin, a town of about a thousand people in the black dirt of Marathon County. The business was the house and the house was the business. He built a little addition on the front we called the shop, and farmers would come in and buy parts while my mom was baking bread in the kitchen. I rode with him in the orange Surge van to the farms, and he waved at everybody, because he knew everybody. I probably visited a hundred farms before I was seven.

Later his back gave out and he sold the Surge business, and we moved to Neillsville and into a twelve-unit motel. Then we answered the phone "Travelers Motel." People came in at all hours of the night and somebody had to check them in, and a lot of the time that somebody was one of us kids. I never knew what it was like to have a phone number that wasn't attached to a business. I never knew what it was like not to live in one.

That's the first thing you should know about me, because it's the reason I wrote this book. When I talk about small business, I'm not talking about a category. I'm talking about the family that answers the phone with the business name because there is no other phone.

The other ring

There was a second phone in that house, in a way. My dad was a volunteer firefighter and an EMT, and the emergency calls came over a party line. That line had its own ring, a fast one, and everybody in the family knew you did not answer it. It meant a fire or an ambulance. When it rang, my dad stopped whatever he was doing, took the call, and raced to

the station to get on the truck. I can still see him burning rubber out of the driveway.

One Sunday night we were grilling out, the whole family. Burgers, brats and hot dogs on the grill, corn on the cob from the garden, and my mom's homemade potato salad, which was always on the table. We were enjoying the evening. The fire phone rang. My dad jumped up, answered it, and was gone.

The next morning my twin brothers, Mike and Mark, and I were still in the bedroom we shared when he came in. He had been waiting for us to wake up. He told us that the parents of two boys we knew had been killed in a car accident the night before.

It shook the whole town. After the funeral the boys went to live with relatives. I never saw them again.

A couple of weeks later I woke up in the middle of the night and found my dad sitting at the kitchen table. He couldn't sleep. He was still thinking about that accident. I asked him why he kept doing it, answering that phone, when it did this to him.

He said, "Brian, if you were in trouble and needed help, wouldn't you want someone to help you?"

That was the whole answer. He didn't make a speech about it. He went when people needed him, even when it cost him something, and he kept going. I've thought about that table a thousand times since.

The snow shovel

Growing up in Wisconsin meant snow, and I loved it when it snowed. I'd grab a shovel and start down the street clearing sidewalks. I knew which neighbors on our block were old, and I went to their houses first. Some of them paid me. Some of them just thanked me. I liked spotting the chance and doing the work, and I learned early that helping somebody didn't always depend on getting paid.

I didn't know it then, but those two things were growing up together in me: the kid who sees an opportunity and gets after it, and the kid who goes to the old folks' houses first. Everything I've done in business since has been some version of both.

At fourteen I got a work permit and a Saturday night shift, five to eleven, at Mallegni's, the grocery store in town, mostly because nobody else wanted Saturday nights. Rollie, the man who owned it, had moved his family to Neillsville the same year we did and put everything he had into that one store. Rollie was Italian, and he made the best Italian roast beef I have ever had, sliced thin. He also coached me in baseball, and his son and I were great friends. I took pride in packing a square bag as the carry-out boy. Rollie would not think much of a store that makes the customer run the register while the people getting paid stand there and watch.

That was my first paycheck, and my first look at what one store means to the family that owns it. My take-home on that first check was eleven dollars and sixty-five cents. I remember taking it to my dad and asking him who FICA was, and why the State of Wisconsin and the federal government got so much of my money. It was my first lesson in the difference between what you earn and what you keep.

So when I tell you later in this book that most Main Street businesses never sell, that the owners are my dad's age and their kids don't want the business, and that somebody has to be ready to take the handoff, understand where I'm standing when I say it. I grew up inside those businesses. I've spent twenty-five years in the deals that move them from one family to the next. And the question my dad asked me at that kitchen table is still the question: if you were in trouble and needed help, wouldn't you want someone to help you?

This book is my answer.

PART ONE

The Idea

Why this works, why now

CHAPTER 1

What Is a Roll-Up? Why the Wealthy Build Companies This Way

One owner. One playbook.

Let me introduce you to the man you'll follow through this book.

Uncle Dave. He's pushing sixty. He's owned a service business for fifteen years. Sells to other businesses, commercial accounts, about two million in revenue. He built it grinding, one account at a time, and he's good at what he does. But he's hit the wall. He can't get past two million working the way he's working, and he knows it. Every year looks like the last one, just with more gray hair.

He's an avid outdoorsman: hunting, fishing, the whole thing. Great family man. And he runs his business the same way: like family. His people aren't employees, they're his crew. That's why sellers trust him with what they built. He's not some corporate buyer. He's one of them. Now, there's a younger generation doing this too, guys in their thirties and forties running the same play aggressively, stacking deal after deal with a ten-year runway. That's a different book. This book is about Uncle Dave. Because if you're reading this, you're probably more like him than them. And what he figured out will change your life.

By the end of this book, Uncle Dave's company will have more than doubled in three years, and he'll be the buyer sellers call. They already call him that.

You're going to see yourself in at least one of them. Maybe both. That's the point.

One at a time

Before I show you the play, I want you to feel something.

You hired one person at a time. Every hire was a gamble. You interviewed, you hoped, you trained them, and half of them didn't work out.

You trained one person at a time. Sat next to them. Showed them the ropes. Watched them walk out six months later and take everything you taught them to a competitor.

You won one customer at a time. Knocked on doors. Ran the ads. Waited for the phone to ring. Lost the big one to somebody cheaper and started over.

You solved one problem at a time. The roof. The truck. The employee who quit on a Friday. The customer who didn't pay.

You did everything one at a time. And every year looked like the last one. A little bigger. A little tireder.

If that's your life, keep reading. I know exactly how it feels, because I've lived it and I've watched hundreds of owners live it.



One at a time, or groups at a time.

Who this book is for

Let me be plain about who I'm talking to.

This book is for the business owner doing $500,000 to $10,000,000 in sales who wants to grow. That's you. It's not for the big guys. Not for private equity. Not for Wall Street. They already know this play. They've been running it for decades.

It's for the owner who's good at what he does, who's hit a ceiling, and who wants a way through it. I'm going to show you how to buy smaller businesses in your space and fold them into yours. Each handoff does what years of grinding couldn't.

This is a Main Street playbook, and it's about people. If you're the kind of person who wants to bring in a team of lawyers and accountants to negotiate the deal and make sure you win, this book isn't going to make sense to you. This is business owner to business owner. You have to trust each other. You have to have character. Your word has to be your bond. The sellers you'll meet don't want the highest bidder. They want someone they'll trust with what they built. If that's you, keep reading.

You already have the first skill: you know how to acquire customers. Every business owner has to learn that, or there's no business. The second skill, the one that rapidly grows your company, is acquiring groups of customers all at once, by taking the handoff of the companies that already have them. Your competitors. The owner down the road who's ready to retire. You buy it, you run it through your system, and you do it again. That's the roll-up, and it's the skill that separates the owners who get rich from the owners who stay busy.

If you're the seller, this book is for you too. If you're thinking about selling in the next few years, or even sooner, this is going to help you know who you want to go after. Because the best buyer for your company isn't the highest bidder. It's the owner down the road who's already in your space, who'll take care of your customers and your people. By the time you finish

this book, you'll know exactly what that buyer looks like. And if you're a buyer reading this, you'll know how to become him.

The strategy that's as old as dirt

I'm a retired football coach. I coached while I was building businesses, as a head coach and an offensive coordinator. When I find a play that works, I run it until the other team stops it.

The great old-school coaches taught execution to a level where you could tell the defense the play and they still couldn't stop you. That's the whole secret: there is no secret. You just execute so well it doesn't matter who knows what's coming. Business is the same. I'm going to tell you exactly what the play is, in this book, down to the details. Knowing it won't help anyone stop you. Executing it is the entire game. The joke on my teams was always, "Coach, how many times are you going to run the same play?" My answer was, until they stop it.

The roll-up is that play. It's been around forever. Rockefeller used it to build Standard Oil. Carnegie used it to build the biggest steel company in the world. J. P. Morgan used it to put U.S. Steel together. Private equity has used it for decades: find a platform company, then stack acquisitions on top of it. The big public companies you read about doing "mergers and acquisitions" are running it right now. This is not new, and it is not risky in the way people think. It's a strategy for building wealth that's as old as dirt, and nobody has stopped it yet.

Here's what it is, in one sentence. A roll-up is growing your company by buying other companies and folding them into yours, one after another, on purpose.

That's it. Not one lucky acquisition. A repeatable way of growing.

One customer at a time, or a company full of them

Every business owner I know is good at one thing: getting customers one at a time. You have a marketing plan. You have your customer acquisition

cost. You go out, you sell it, you onboard them, you take care of them. That's organic growth, and it's a fine way to grow. You need to be good at it, and you'll keep doing it.

But in today's market it's hard to grow that way, and the reason isn't customers. It's people. You can't find them, and when you do find them you can't hire them fast enough.

When you buy a company, you already have the customer base. You already have the revenue. You already have the employees who take care of those customers, and the history between them. Clients, employees, the total package. Everything is in place. You're not starting from zero and hoping. You're taking over something that works and making it part of yours.

So here's the mindset shift, and it's the whole book in one line. Right now you're used to winning one account at a time. A roll-up is taking the handoff of a business that has a whole group of accounts. Same skill you already have. Bigger unit.

Uncle Dave learned this at the wall. Two million in revenue, fifteen years in, and he could feel the ceiling. He'd spent his whole career winning accounts one at a time. The idea that he could take fifty at once, from an owner ready to hand them over, sounded like cheating. It wasn't cheating. It was the second skill, and nobody had ever taught it to him.

Why the wealthy love it, and when it clicked for me

When I say the wealthy, I mean private equity, big corporations, and the family offices that build empires. I've worked with private equity for about fifteen years. I've sold them companies. I've rolled a few of my own businesses into their platforms. I know how they think.

I get an email nearly every day, sometimes more than one, from a private equity firm telling me exactly what they're looking for. Either they're looking for a platform company, which is a company with the systems and the people in place to stack other businesses onto, or they already

have one and they are aggressively looking for add-ons. That's the playbook. Platform, then add-ons. Over and over. Their criteria is just bigger than yours, because they need to deploy large amounts of capital. A million-dollar deal isn't worth their time.

And that's the great news for you. The companies they walk past because they're too small are yours. A group of accounts doing $500,000 that isn't worth a private equity firm's afternoon is worth everything to you. You're going to run the same play. Just at your size, in your backyard, where they don't bother to look.

They do it because of what it does to the value of the company, which is Chapter 3. But they also do it because it's systematic. It's a machine for growing. And here's the thing that took me years to see, even though I was in the middle of it: everybody I was selling companies to was running a roll-up.

I've done several hundred deals in my career. All but one of them were add-ons: a company buying another company to bolt onto what it already had. I was in the business and I didn't think of it that way. Then one day I was watching a video about buying "boring businesses," and it hit me like a blindside blitz.

Running a business is hard. Even a boring one. There's nothing easy about it: the customers, the employees, the cash, the 2 a.m. worries. And I thought: as a seller, I would never hand my company to somebody running a business for the first time. I don't care how good their corporate career was. Too risky. My customers, my employees. I'm not gambling them on somebody's learning curve.

That's when it clicked. The buyers shouldn't be first-timers. The buyers should be people already in business: owners with the infrastructure, the systems, the crew, the track record. They don't have to learn. They just have to do more of what they already do well. And with millions of owners heading for the exit (Chapter 5 has the numbers), we don't need more first-time buyers. We need hundreds of thousands of existing owners who stop trying to grow one customer at a time and start buying the

companies that already have them. That's what this book is. That's who it's for.

I waited twenty years to write it, because this is a skill you want to learn from somebody who's been in the deals, in the rooms, watching what works and what blows up. I've spent twenty-five years in the middle of them. I've watched a generation of owners build their businesses, and now I'm watching them start to sell. Somebody has to be ready to buy. That somebody should be you.

It works at your size

A lot of people think this is for the billion-dollar company. It isn't. It works in any size business, and it's actually ideal for Main Street, for the owner doing a million and a half to twenty million in sales, making real money, and wondering what to do next.

Let me show you why with a story. Years ago I was marketing a business located in upstate New York. A fellow reached out about it. He'd grown up in a small town up there, gone to Wharton, done some private equity work, and he'd moved back to his roots to raise his young family. He saw the business as his way back in. Smart guy, one of the best business schools in the country. And he was financially backed, by what's called a search fund: a young operator, usually with an MBA, who raises money from investors specifically to go find one business to buy and run.

But even with the backing, he couldn't compete. He was up against a buyer running a roll-up, and that buyer already had the whole infrastructure: the systems, the people, the way of taking care of customers. The search fund guy would have had to build all of that from scratch. Credentials and capital lost to a system.

That's the advantage you have as an operating business owner that a first-time buyer never will. You already run something. You already know the customers, the pain points, the workflow, the marketing, how to keep clients happy. Buying a company just like yours isn't a leap into the unknown. It's more of what you already do.

And here's what the seller is really buying, because every buyer needs to hear this too. What wins the handoff isn't cash. It's competence and character. Competence: can you take care of my customers and my employees as good or better than I did? Character: are you somebody I trust with the thing I spent my life building? Cash doesn't answer either question. The owners handing over their life's work aren't looking for the highest bidder. They're looking for the safest hands. And here's what safe means to them: you're not going to erase what they built. The name stays on the door. The business stays local. Their legacy keeps living. Bring competence and character to the table, and the cash takes care of itself. Capital chases competence. The money isn't the hard part. Becoming the person worth funding is, and Part Two shows you the structure that makes the money guys lean in.

Think like an investor, not just an operator

Everybody's sick of mindset talk. I get it. Nobody's going to tell you to dream bigger. What I'm going to tell you is that you have to understand what you're actually thinking about when you look at a business, because it changes.

An operator looks at a business and sees the work: the customers to take care of, the people to manage, the fires to put out. That's a good way to look at a business, and you don't lose it. But an investor looks at the same business and asks different questions. What does it earn? How safe is that earning? How fast do I get my money back, and what do I do with the money when it comes back?

Watch the Shark Tank investors negotiate, Kevin O'Leary, Mr. Wonderful, especially. What is he always talking about? How quickly he gets his money back. And what does he do when he gets it back? He deploys it again. Same money, over and over. That's the investor's mind, and it's the mind of every private equity principal I've worked with. Their goal is a return on their investors' money, and their playbook for getting it is the one in this book: find the platform, stack the add-ons, get the efficiencies, build value for the shareholders.

Here's the thing. You are the shareholder. Most business owners are the largest shareholder in their own company. When you execute a roll-up you're creating shareholder value for yourself, the same way they create it for their funds. So think like them. Think like Warren Buffett, who mostly bought companies and improved them. That's the shift, and it's not easy, because you get bombed with the operator's problems every day. But it's the difference between owning a job and owning an asset that grows. Learn to do this well and it doesn't just change your business. It can revolutionize your family's future, and future generations.

What "take the handoff" really means

I want to be precise about this, because taking the handoff isn't just a nicer word for buying.

Taking the handoff is a competency you build. It's getting excellent, with systems, on purpose, at folding companies into yours. You do it so well, and you take such good care of their customers and their employees, that it becomes your reputation. You become the Uncle Dave of your industry: the one people call when they're ready to hand over what they built.

And understand what you're actually receiving. It's not just a business. It's their entire team, their organization, their way of life. People spent decades building that. So you honor them. You celebrate them. When the handoff happens, you make it a Hall of Fame moment, for them, in front of their people. You stand up and say: what you built matters, we're going to take care of it, and we're going to take it further than any of us could alone. And you mean it. You don't rebrand them out of existence. The name stays. The community sees the same business, stronger. That's how Uncle Dave does it, and it's why sellers call him.

That's the difference between buying a business and building an empire, and it's not size. It's intention, and it's honor. A person who buys one business made an acquisition. A person who becomes excellent at taking handoffs, who honors every seller and every team, builds something that compounds. The handoffs compound. The reputation compounds. That's

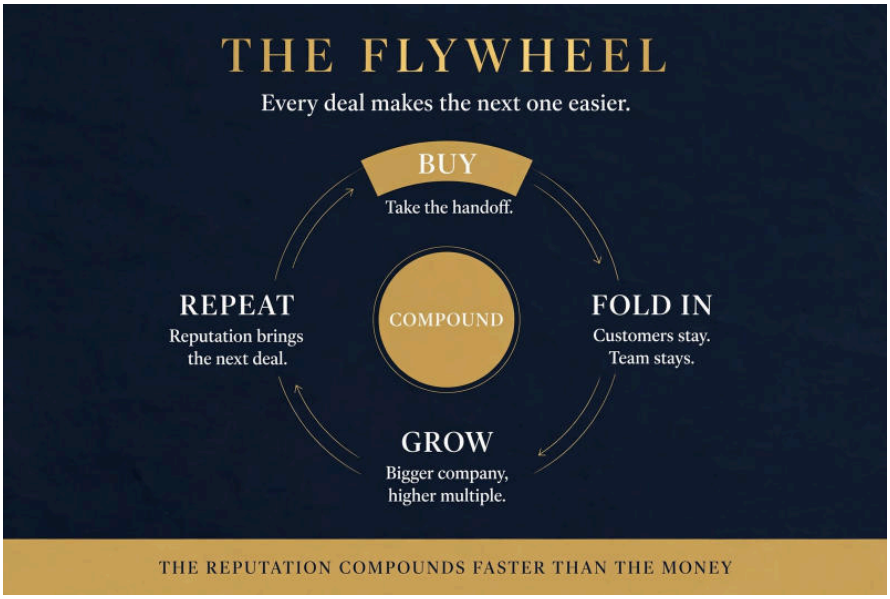
how generational wealth gets built: not by buying companies, but by becoming the person everyone wants to hand theirs to.

The flywheel: every deal makes the next one easier

The compound effect is real, and I want you to see the shape of it before you read another page.

Your first acquisition is the hardest, because you're learning. The second is easier, because your team has done it. By the third, sellers are calling you, because your reputation is out there.

That's where Uncle Dave is now. Fifteen years in, three handoffs behind him, his reputation does the hunting. When owners in his industry are ready to hand over what they built, they call him. "Would you take our accounts?" He doesn't chase anymore. The phone rings. That's what the flywheel looks like when it's spinning: you do right by people, word gets around, and the deals come to you.



The flywheel: every deal makes the next one easier.

Each acquisition makes your company bigger, which makes it worth more per dollar of earnings, which makes the next one easier to finance. And as you grow, you're able to take on larger acquisitions, because the size of company you can safely absorb gets bigger every year. That's the flywheel. That's how private equity turns a ten-million-dollar platform into a hundred-million-dollar sale. The math is the same at your size. Only the zeros change.

The quick flip is the opposite mindset, and it's the one to avoid. Buy it, strip it, sell it. That's what people are afraid of when they hear "acquired," and it's why the old movie line about greed being good still comes up when I'm sitting with a seller. That's not what we do. This is not a get-rich-quick strategy. It's slow by design: one acquisition at a time, folded in, made stronger, repeated. Discipline beats intelligence here. The best acquirers I know are not the smartest people in the room. They're the most disciplined.

And one rule runs under all of it: start at the customer. Will they stay? Will the employees stay? If the answer is yes, the rest is arithmetic and execution. If the answer is no, no multiple or structure can rescue the deal. Chapter 23 shows you how to do that analysis, from the customer backwards, and every chapter in between has to pass the same test.

Both sides of the table

I want to say one more thing before we start, because it's the reason I wrote this. Main Street is different from Wall Street. When a big company does a deal with somebody else's money and it goes bad, somebody gets fired and gets a parachute. When a Main Street owner does a deal and it goes bad, he can lose his house. He's not using other people's money. He's using his family's money. So the framework in this book is built for him. It's the same playbook the wealthy use, adjusted so that the small guy can execute it without betting everything on one throw.

And it's built for both chairs. Every deal in this book has to pass one test: buyer wins, seller wins, employees win, customers win. Four legs. If one

is off, the table falls. And if you're reading this as a buyer, remember that pretty much everyone with a business will sell someday. Knowing how to buy makes you a smarter seller when your turn comes, because you'll know exactly what the buyer across the table is thinking. You've been him.

What the rest of the book does

Part One is the idea: the four kinds of roll-ups, the math, why the roll-up buyer is the seller's best buyer, and why now. Part Two is the Shared Success Plan, how a Main Street buyer buys a company without betting his house, with my own deals, including the ones that went wrong. Part Three is the proof, from Rockefeller to private equity. Part Four is the deal process, from the first conversation to the first ninety days. Part Five is the platform company, which is what all of it builds. All of it is from real life, things I've done myself or done with clients, and the calculators and templates live in the toolkit at growthroughacquisitions.com, built to go with this book.

Two things in Part Two are the heart of it, and I want you to know they're coming. The Shared Success Plan is how the seller gets paid: some money at closing, the rest as a share of the revenue the business collects, so the business pays for itself and nobody bets a house. The scorecard is how the two people get measured: both of them sign it before the deal, and both are rated on it afterward, the buyer by the owners he bought from and the seller by the person he sold to. The plan is the money. The scorecard is the people. Chapter 10 gives you the scorecard, and Chapter 12 gives you the plan.

Write down three things before you turn the page: why you want to do this, what you think your company is worth today, and the first two owners in your industry you'd want to talk to. You'll come back to all three.

Someone is going to consolidate your industry. It might as well be you.

The Chapter 1 tool: Buy, Reinvest, Repeat

Before you go further, I want you to see the math on your own numbers. Not theory. Yours.

Take your company's revenue. Say it's a million. Or two million. Now imagine you buy a smaller company, say half a million in revenue, and you do it three years in a row. Same play, three times. What does your company look like at the end?

The Buy, Reinvest, Repeat calculator shows you. Plug in your revenue, your acquisition size, how often you buy, and the multiples. It'll show you year by year what rinse and repeat does to your revenue, your earnings, and what the whole thing is worth. Run it with your numbers. Then run it again with bigger acquisitions. That's the playbook in action, on your business, before you've spent a dollar.

> **From the book to the tools · Buy, Reinvest, Repeat**
> Ten years of the play with your own numbers, and the size rule checked every year.
> growthroughacquisitions.com/tools/ten-year

What it actually buys you

Here's the part nobody talks about.

Uncle Dave doesn't just end up with more money. He ends up with his life back. The machine runs. The team handles it. He built the thing so well that it doesn't need him in the middle of everything anymore. And one day he's on vacation, phone in his pocket, and it doesn't ring unless he wants it to.

Three years ago, before the acquisitions, his company was a good business. Now it's a platform, stronger in every way that matters, with the pieces in place so the next people who take it over can keep running the same playbook with the same team. And here's what you need to

understand about Dave. He cares more about his people than the profits. It's a family business in every way that counts. His people built this with him, and he knows they'll be better off for it, no matter who owns it next. That's what he's really building toward. Not just an exit. A future for the people who got him here.

When the day comes that he sells, he won't be like most sellers, guessing at what his company is worth, hoping the buyer takes care of people. He'll know exactly what he's built, because he built it by buying. He'll know what a good buyer looks like, because he became one. That's the hidden payoff of the roll-up: it doesn't just make you a better buyer. It makes you a better seller when your turn comes.

That's what this playbook really buys. Not a bigger number on a valuation. A life. Remember that when the work gets hard.

You're wherever you are. Turn the page and let's get to work.

CHAPTER 2

The Four Types of Roll-Ups

Picking the play

Uncle Dave learned this lesson early. Every handoff has been the same shape: a local business, same kind of customers, folded in without changing the name on the door. That's not an accident. It's a choice.

He started with the simplest handoff available and built from there. Not glamorous. But it taught him the muscle.

This chapter is the menu. Four plays. Four different shapes for building a family of companies. By the end, you'll know which one fits where you are.



The four types of roll-ups.

Chapter 1 gave you the skill. This chapter shows you the four ways to use it, four different shapes for building a family of companies.

There are four types of roll-ups: horizontal, vertical, conglomerate, and ecosystem. Same play, four different shapes. By the end of this chapter you'll know which one fits your industry, which one I'd start with, and, if you're selling someday, which kind of buyer is most likely to come calling for your company.

Before I go through them, one thing. I'm not a guru and I'm not an influencer. I'm a guy who's been in the trenches for twenty-five years, bought companies myself, and helped a lot of people do it. These are the four types I've worked in. If there's a fifth out there, let me know, because I'm here to learn too.

Horizontal: more of what you already do

A horizontal roll-up is buying companies that serve the same kind of customer you serve, with the same kind of workflow, at about the same size, and folding their customers into yours.

Say you're in the medical space and you're great at working with orthopedic surgeons. You know how they think, what they need, how they pay. Sometimes it gets hard to grow that organically. But you know some business owners in your space who are getting up in years and might want to sell. That is a horizontal roll-up: same customer base, same workflow, and you just take on more of it. You're looking for books of business as close to yours as possible, same customers, same workflow, same platform, and you're buying more of what you already do best.

This is the one private equity executes so well. They find a platform company, somebody very good in its niche with the systems and the processes in place, and then they roll company after company into it. It's also the one I'm most familiar with, and the one this book spends the most time on. Here's why I love it: you get good at one thing. Things change fast in American business and it's hard to know everything. But if you're really, really good at what you do, world class at it, then rinse and repeat is a very good way to grow. Everybody's on the same page. You can execute. And especially when you're a smaller business, say under ten

million, spreading yourself across things you don't know is how you get hurt.

Now here's what I want you to hear clearly. If you're smaller, your first ones should be horizontal. Find companies that really match you. Same customers, same work, same world. They're the easiest ones to roll in, and here's why that matters: you might not have all your systems and processes ready yet, and that's OK. With horizontal, you can buy it and leave it alone. The employees come with the workflow. The customers keep getting what they always got. The only thing that changes is where they send the check. You understand the business because it's what you already do every day. That's why I always recommend starting here. Get your first handoff under your belt with something you know cold, then build from there.

One word on how I say it. The strategy is a roll-up. The execution, to me, is taking the handoff: you're receiving that group of accounts, and the people who take care of them, into your family of accounts. That's a culture thing, and it's on purpose. You're not acquiring a company. You're welcoming their customers and their team into yours.

That's the play Uncle Dave is running. Same kind of customers, same workflow, one handoff at a time. He's not trying to be clever. He's trying to get excellent at one thing: receiving a group of accounts and making the customers feel like nothing changed, because nothing did. Same name on the door. Same people. Just stronger underneath.

Vertical: own your supply chain

A vertical roll-up is buying up and down your supply chain: the people who supply you, or the people you distribute through.

Uncle Dave did this as he grew. He found a critical piece of his workflow going out the door to somebody else's shop. When the time was right, he took the handoff. Overnight his biggest expense became his own asset. And because he controlled the whole workflow end to end, he could redesign it.

One handoff, and he grew horizontally and took a piece of his supply chain in the same stroke. That's the vertical play: stop paying someone else for what you could own, and turn an expense into an asset.

Here's another vertical most people miss: the services around the core business. Build a capability once, and every handoff you take becomes a customer for it. The new team's people get better, the business gets more valuable, and the operation grows with every deal.

And here's how you approach it. You call the owners. You build the relationship. And you say: anytime you want a written offer, we'll provide one for you. No pressure, no pitch. The door is open whenever they're ready. That's an irresistible offer in its simplest form.

A while back, manufacturing had a lot of problems: trouble at the borders, trouble at the ports, workers on strike. If you control your own supply chain, that's a strategic advantage twice over, on profit and on execution.

I've done the other direction too, several times, mostly in software and services. A technology company supplies a service to its client and makes a small percentage on it. When it buys the client, it gets the whole revenue, not the slice. Revenue goes up a lot, profit goes up a lot, and the company learns a great deal about handling customers directly. The downside, and you should know it going in: some of your other customers may get uncomfortable when you're suddenly also their competitor at the customer's end. Carnegie is the master of this type, and he's Chapter 17.

The principle: get excellent at horizontal first. The vertical plays taste better when the platform can digest them.

Conglomerate: unrelated businesses, one owner

A conglomerate is a family of unrelated businesses. Think Berkshire Hathaway: insurance, candy, furniture, railroads, energy. Warren Buffett is thought of as a great investor, and what he mostly did was buy companies and improve them.

That was me in Central Wisconsin. I owned fitness centers and cellular stores in the same little towns I grew up around. A gym and a phone store have nothing to do with each other operationally. But I knew the towns, I knew the people, and I was good at running local businesses. You're not doing it to be greedy, like old man Potter in "It's a Wonderful Life." You're doing it to protect the community, keep the jobs there, keep the doors open.

That's the conglomerate at Main Street scale. Not unrelated industries across the country. Unrelated businesses in the towns you know, run by someone the community trusts.

Some people use this type as insurance. If you're worried about your own industry, buying into a different one diversifies your revenue. That's a legitimate reason. It's also the hardest type to run well, because you're managing businesses you didn't grow up in. My advice: stay close to what you know, even when the businesses look different on paper.

Ecosystem: everything the customer needs

An ecosystem roll-up is building everything your customer needs under one trusted name. This is the fourth type. My course teaches three, but since filming it I've added this one, because I keep seeing it work.

Picture a builder putting up luxury homes. He starts buying a heating and cooling company. Then a truss company, so the framing is manufactured indoors. Then a drywall company. He brings them together as separate entities, does business with himself, controls the whole process, and makes a margin at every step. That's an ecosystem. Sears was the great one, and its story, the rise and the fall, is Chapter 17.

Which one is yours

All four have their place. Horizontal is where I'd start, and it's the one we'll teach you to execute, because it's the surest way to get your cash flow

strong and your systems sharp. Get that engine running and the other three become available to you later, one piece at a time.

Here's how to choose: start at the customer. Which type lets you take over a company with the least disruption to the people being served? If the customers can't tell the difference on day one, you've picked right. If they'd feel the seams, keep thinking.

For a roll-up to work well, you want to be in a fragmented industry. Fragmented means lots of smaller companies, lots of smaller shops, maybe a bit smaller than you, maybe not. Rockefeller's twenty-six refineries in one city, in Chapter 17, is what fragmented looks like. Frankly, I can't think of an industry it wouldn't work in. Even at the tail end of a consolidation somebody is still rolling up the rest, the last man standing, and it still works. Car dealers are a business where I see people do it a lot.

And the reason to do it in the industry you already know is the reason I keep coming back to. You already know the customers. You know the pain points. You have the systems, the processes, the marketing, and you know how to keep clients happy. You're used to winning one customer at a time. In a roll-up those customers are already won, and the team that keeps them happy comes with them. It's turnkey in a way nothing else in business is.

People are afraid of that word, "acquired." Employees hear it and think somebody's going to chop up the company. I have not seen that happen, especially with the people closest to the customers. Those people are the main reason a buyer makes the acquisition in the first place.

One more lens, for the sellers reading. Ask yourself: which of these four buyers would be the best hands for what I built? The horizontal buyer who does exactly what you do? The vertical buyer who'd plug you into something bigger? Knowing your type tells you who to look for, and that's Chapter 4's whole job.

Here's your assignment for this chapter, and I mean write it down. Which type of roll-up fits your business? Who are two or three owners in your space you're impressed by, who might be getting older, that you could start a conversation with? Because here's the challenge. If you don't do it, somebody will. This isn't theory. It's here for you to take action on.

Uncle Dave picked horizontal. Start where you're strong, get excellent, then reach up and down the chain. The menu is the same for everybody. The order matters.

Now let's look at the math, because this is where the wealthy fell in love with it.

CHAPTER 3

Why the Math Works: Arbitrage, the Sizing Ladder and the Platform Premium

The math, through Dave's eyes

Uncle Dave had owned his company about twelve years when I started working with him. Doing about two million in revenue. A good business, but stuck. Too small for the serious buyers, too big to be a lifestyle business. Stuck in the middle, which is where most owners live.

Since then he's taken three handoffs. Two of them expanded his footprint into a top five market in the United States for his industry. Instead of opening an office there and spending years marketing and grinding to grow, he buys his way in. Takes the handoff from two operators who are already there. One horizontal, one vertical.

The vertical one is the kind of deal you can't replicate. That company had been in business over twenty-eight years. Certifications, relationships, institutional knowledge. Things that would take you forever to build on your own. He got all of it in one handoff.

Same customers, same services, same people, organized differently and operating at a whole new scale.

This chapter is why the math works. It doesn't care how you feel about it. It just works.

Chapter 2 showed you the four plays. This chapter shows you why the scoreboard loves them.

This is the chapter where the wealthy fell in love with the roll-up, and it's simpler than anything a private equity firm will ever tell you. If you're the buyer, it's the reason to do everything else in the book. If you're the seller,

it's why a roll-up buyer can pay you more than anyone else and still come out ahead. Once both sides can see the same numbers, you stop arguing over price and start talking about how the deal gets built. That's when deals get done.

I'm going to teach you one way to value a business. There are ten different ways out there. This is the safest one, and it's the one every deal in this book runs on.

One asterisk before we start, and it matters more than anything else in this chapter: all of this math assumes the customers stay. The arbitrage, the multiple, the premium: every number below evaporates if the customers walk. That's why Chapter 1 said start at the customer. The math is real, but it's downstream of the relationship.

What a company earns

A Main Street business is worth a multiple of what it earns. Not what it sells. What it earns.

For a smaller, owner-run company, the earnings number is seller's discretionary earnings, SDE. It's the owner's benefit: the profit on the tax return, plus the owner's salary, plus everything the owner runs through the business that a new owner wouldn't have to. Let's be real about this. When you own a company and you file your returns, your goal is not to show as much profit as you can. You find every legitimate discretionary expense to put against the top line. The personal vehicle, the health insurance, the mastermind group, the advanced degree, the trip that was partly business. All legal, all normal. When you buy the company, you won't have those expenses. So you add them back.

The way I do it is simple. Have the owner pull the profit and loss for the last couple of years into a spreadsheet, and add one column called add-backs. Go line by line with him. What's in here that a new owner wouldn't pay? The total of that column, plus the profit, plus the owner's pay, is SDE. Get to that number together, and everything else in the deal can be communicated off it. If the offer is three times SDE and SDE is two

hundred thousand, the offer is six hundred thousand, and everybody can see why. Adjustments become a conversation about the multiple instead of an argument about the price.

As companies get bigger, the earnings number changes. Once the owner isn't the main operator, there's a management team in place, and the business isn't dependent on one person, buyers stop talking about SDE and start talking about EBITDA: earnings before interest, taxes, depreciation and amortization. It's the same idea for a larger business. Net income, plus the interest the company pays, plus taxes, plus depreciation and amortization. A company that shows five hundred thousand of net income, with a hundred thousand of interest, seventy-five thousand of taxes and fifty thousand of depreciation, has EBITDA of seven hundred twenty-five thousand. The tax return says five hundred. The real operating earnings are seven twenty-five.

You'll start in SDE. As you roll up companies and your platform grows, you'll make the transition to EBITDA, because larger companies are almost always priced on it, and they're priced higher. Know both numbers.

Uncle Dave lived this transition. His first handoff was priced in SDE, the way small deals are. By the third, the conversation had moved to EBITDA, because the company wasn't small anymore. The earnings didn't just grow. The language around them changed, and the multiple moved with it.

What a multiple is

The multiple is roughly how many years it takes to earn the price back, if everything stays the same. Buy a business at three times earnings and it takes three years to get your money back. At five, five years. That's why understanding multiples is critical, because you can easily overpay, and that's tragic.

Let me tell you what a multiple really is, because everybody dreams about some big multiple exit like it's a lottery ticket. It's not. All you're doing is

selling your future earnings. You're getting prepaid. Three times earnings means the buyer hands you three years of profit today, in one check, instead of you grinding it out year by year.

I hear sellers say it all the time: "They're buying it with my profit!" Yeah. That's exactly what they're doing. That's what a business sale is. You're selling the profit stream, and they're prepaying for it.

Here's what that complaint misses. Those future earnings aren't guaranteed. They're not sitting in a vault. You'd have to show up, keep the customers, manage the people, survive the bad years, for three, four, five more years, to collect them yourself. The buyer takes that risk now. You're trading uncertain future earnings, bought with your time and your stress, for certain dollars today. That's not a ripoff. That's the trade. And when the buyer is doing a roll-up, those same earnings are worth more to him than they were to you, which is why he can pay you fairly for them and still come out ahead.

Here is what most owners don't know. The multiple is not fixed. It varies by industry, by risk, and most of all by size. Software companies can sell for six to ten times earnings. Home services, heating and cooling, pool service, two to four. Manufacturing, four to six. Within an industry, the characteristics move it: a marketing agency with long-term contracts that have some teeth might sell for four or five times, and one that lives on one-time projects, two and a half. Recurring revenue, contracted revenue, a team that runs without the owner, customers spread out instead of concentrated. All of it goes into the multiple, and the Business Valuation Playbook at growthroughacquisitions.com is where you learn to move it.

When somebody tells you a business is worth four times, ask: four times what? I hear multiples thrown out by accountants and by somebody's brother-in-law, off the cuff, for businesses they know nothing about. It's dangerous. Your net worth is tied up in this number. Know your industry's multiple, know what drives it, and know what your own company would fetch today, whether or not you ever intend to sell.

The sizing ladder

Size is the biggest driver of all, and here's the ladder I work from. They're built around the IBBA Market Pulse medians, the actual market data, not my opinion. The medians are theirs; the bands around them are mine.



The Sizing Ladder: bands drawn around the IBBA Market Pulse medians (Q3 2025).

They're starting points, not rules, and every business moves inside its range on the drivers the Business Valuation Playbook scores. And every industry is different. These are general numbers to show you the pattern: as you grow, your earnings are worth more per dollar. That's the arbitrage effect. Your specific industry will have its own ranges, but the direction is always the same. Bigger earns more.

Sources: IBBA Market Pulse Q3 2025 (International Business Brokers Association). The bands are drawn around IBBA's reported medians (Q3 2025: about 2.0x, 2.8x and 3.3x SDE for the three smallest bands, and about 4.0x and 5.3x EBITDA above). Note: IBBA's Q4 2024 survey reported an average of 6.0x EBITDA for the $5M to $50M band; averages run higher than medians. SDE is used under $2M in deal value, EBITDA above; that's the market's convention, not mine. These are purchase-price

bands: what the buyer pays, not the company's revenue or EBITDA. See the Business Valuation Playbook in the toolkit at growthroughacquisitions.com.

Now let me be honest with you about these numbers. They come from IBBA's Market Pulse: real market data, reported medians. But in my experience, across the many different businesses I've actually worked with, the valuations I see come in a little lower than what the surveys show. That's not a contradiction. Survey data skews toward the deals that got done through brokers: the better-prepared businesses, the cleaner numbers, the ones that made it to closing. The businesses I see include the ones that never made it to a broker's listing. So use these bands as the direction, not the destination. The pattern holds, bigger earns more per dollar, but your deal will land where your business actually is, not where the survey average sits.

One note on the bands: these are purchase price, what the buyer actually pays, because that's what the market data measures. Your revenue will be higher than your purchase price. A $2 million-revenue company at 3x on $400,000 of SDE is a $1.2 million deal, which puts it in the third row. Most readers of this book will live in the bottom three rows.

Notice everything up there is a range, not a number. That's on purpose. Where you land inside your range depends on your industry and on the factors: recurring revenue, customer concentration, a team that runs without the owner, the strength of your systems. Two companies in the same industry at the same size can be a full multiple apart on these.

The Business Valuation Playbook, in the toolkit that goes with this book at growthroughacquisitions.com, scores the factors that show you exactly where your company sits inside its range, and what moves it up. The multiple isn't something that happens to you. It's something you build. When you're buying, the Playbook tells you what you're really paying for. When you're selling, it tells you what to fix before you go to market.

Read it top to bottom and you'll see the whole strategy. A small company might sell for two and a half or three times its earnings. A larger company, with more customers, more employees, more diversified

revenue and a management team, sells for five, six, or more. Same dollar of earnings, worth twice as much, because of what's around it. The buyers change too: at the bottom of the ladder it's an individual who wants to run the business, and at the top it's investors, private equity and corporations who are buying systems and scale.

That gap is the whole game.

> **From the book to the tools · The Sizing Ladder Valuation**
> Put in revenue and earnings, and a Playbook score if you have one, and see the band, the range and the number.
> growthroughacquisitions.com/tools/valuation

The arbitrage

Say your company has grown to the point where it would trade at six times earnings. Down the road is a smaller company just like yours that would sell for three, or three and a half. You buy it. The day you close, that book of business is inside your company, and inside your company it's worth six. You have almost doubled the value of what you bought, the second you bought it.

That's valuation arbitrage. Buy at a lower multiple, roll it into a company that carries a higher one, and the value is created the day you close.

> **From the book to the tools · The Day-One Arbitrage**
> What the target's earnings are worth inside your company the day you close.
> growthroughacquisitions.com/tools/arbitrage



The three layers of acquisition value.

A home service company with five hundred thousand in earnings sells for one and a half million at three times. Rolled into a company that's worth six times earnings, that same five hundred thousand is worth three million. This is why the rich love roll-ups. It's the playbook private equity uses, it's the playbook large corporations use to grow, and it's what they were paying for every time I sold them a company. The day I understood it is the day I stopped being surprised that every buyer I sold companies to was running one.

Warren Buffett made his living on it. He didn't build Berkshire by starting companies. He bought them, at a smaller multiple than they were worth the moment they were inside Berkshire. He's the best investor in the world, and a lot of people say, why not follow his lead?

Here's the same arithmetic on a whole roll-up, with round numbers from the ladder. It's an illustration, not a promise.

Five companies, two million dollars in revenue each, ten percent profit. That's one million dollars of earnings across the five. Sold one at a time at three and a half times earnings, they're worth about three and a half million dollars total. Combine them into one ten-million-dollar company and a buyer pays a platform multiple. At six times, the same one million dollars of earnings is worth six million. Same customers, same services, same people, organized differently.

Nothing about the businesses changed. What changed is what they're part of: the family they joined.

That's Uncle Dave's story with real numbers behind it. He took handoffs at the going rate for small companies in his space. Each one lands inside a company climbing the ladder. The first handoff makes the company bigger. The bigger company carries a higher multiple. The higher multiple makes the next handoff worth more the day it closes. Round and round. That's the arbitrage, not as a theory. As a bank statement.

The seller who saw it happen

Last week I sat in a meeting about something else entirely, and the owner started telling me about his sale. Tire-center business. He sold the company and kept the real estate. The buyer was a private equity-backed company with great distribution.

And this smart guy looked at me and said, "We probably could've asked a lot more for that." Because the minute they bought him, his earnings were worth more at their multiple than they'd ever been at his. He watched his own company get revalued the day it changed hands. They even paid him a commission to help them with a little tuck-in afterward, a couple of locations they were working on.

That's the arbitrage from the seller's chair. He lived it. And his instinct was right, which brings me to the most important thing a seller can learn from this chapter.

What the seller should do with this math

If you're the seller and you understand the arbitrage, here's the honest play. You know your company is worth six times to him. Do not walk in and demand six times. Why would he buy it? There's no arbitrage left for him, and no deal without it.

Your company is worth what it's worth on the open market: two and a half, three, three and a half times. But you're not selling on the open market. You're handing your accounts, your team, and your transition help to a buyer who'll keep every dollar of revenue alive. That commands more. Ask three and three-quarters. Ask four. Say: I'm going to make sure all this revenue stays. Leave him his arbitrage, and he'll say yes all day long.

Don't big-shot it. The fastest way to kill a deal is to price the buyer's profit out of it.

And there's something else the math solves that nobody talks about. Most owners have no plan for who takes over, and they lie awake over it. The roll-up is the answer to that 2 a.m. worry: a plan for who takes over that pays you a premium instead of costing you one. Chapter 4 is that chapter.

Be the bank, and like it

Here's the part your advisors won't tell you, and it belongs in the arbitrage conversation. When you carry part of the price, when you're the bank, you get true value out of the deal over time.

Think about a mortgage. You borrow three hundred thousand over thirty years, and you pay back way more than three hundred thousand. The difference goes to whoever carried the paper. When you sell your company and carry part of the price, you're the one carrying the paper. I did a deal where the seller carried back eight hundred fifty thousand over seven years, and that alone added roughly three hundred thousand to what he'll receive in total. The old way, the bank would have made that money.

Now I know what your advisor is saying. "Oh my God, you're taking all that risk." Here's my answer, with the research in Chapter 5: most businesses that go to market never sell. You can hold out for all cash and join them, or you can sell to someone doing a good job with your accounts, paying you every month, keeping your clients happy and your employees employed. That's win-win. That's a risk worth taking in the arbitrage game.

Uncle Dave will carry part of the price when he sells. He'll collect payments for years on money the bank would have made instead. That's the second payday most sellers leave on the table.

One plus one equals three

The arbitrage is the first layer. The second is that a combination earns more than the parts did.

And this is where the operational efficiencies kick in. There's a whole layer of costs you take out of the smaller company the day you fold it in. Accounting is the obvious one: one accounting team instead of two, one set of books, one payroll system. But it goes deeper. One insurance policy instead of two. One software license instead of two. The owner was doing three jobs; now those get distributed across people who already know how. Purchasing power with suppliers because you're ordering more. Better terms from banks because you're bigger. Technology investments that neither company could justify alone suddenly make sense at the combined size.

You get more efficient at everything as you grow. The smaller company was paying retail for things you already buy wholesale. They were doing by hand what your systems do automatically. Every one of those gaps is earnings waiting to be unlocked, and it drops straight to your bottom line. In my experience, the overhead consolidation alone can be as much as ten percent. Ten percent of the smaller company's costs, gone, on day one. That's not a projection. That's what happens when you stop paying for two of everything.

Then there's the revenue side. Cross-selling, where the customers of one company start buying from the others. Credibility: in a lot of spaces you can't even respond to certain requests for proposals until you're a certain size. Bigger opens doors.

So the earnings go up, and the multiple on those earnings goes up. When both move at once, the value of the company moves a lot. That's the one-plus-one-equals-three that everybody talks about, and it's real when the integration is real.

The platform premium

Every acquisition makes your company more valuable per dollar it earns, because it makes you more like a platform company: bigger, more diversified, more systematized, with a team that has done this before. Investors pay a premium for that. So does the next buyer. Having the

competency to buy companies and fold them in, and a track record of doing it, positions your company as the kind of thing private equity wants to buy, or partner with, or fund.

That's why the wealthy love it. Once you've done it once, why wouldn't you keep doing it? Reinvest the profits, buy the next one, fold it in. That's how you scale. That's how you build something strong. You could grow a company from two million to twenty million in five to seven years this way without too much trouble. Buy, reinvest, repeat.

I'll say the football thing again because it applies. If a play is working, I'm going to call it until they stop it. You only need three and a half yards a play. Do it twenty-five times and you're in the end zone. The field is only a hundred yards long. Same thing here. Learn how to do this, take the arbitrage, take the extra earnings, and keep running the play.

Here's where Uncle Dave's story goes next, and it's the part most owners never see coming. He's packaging the company for a strategic buyer, and the buyer isn't just buying a business that has more than doubled in three years. They're buying the machine: a proven way of taking handoffs, a team that's done it three times, and a growth plan with the next markets already mapped, the ones where most of the work actually is. The plan takes the company from five million to twenty-five or thirty. The current owner doesn't want to fund that run. The next one does. And I'll be there to help them execute it.

That's the platform premium at full power. The buyer pays for what the company is, plus what the machine can do, plus a roadmap somebody already drew. That's worth more than revenue alone, and it's why the exit is family wealth, not just a payday.

Uncle Dave is running the same math. Every handoff gets folded in, the earnings get reinvested, the next handoff gets bigger. He's not taking chips off the table. He's letting the flywheel spin.

What the math needs from you

The math works on three conditions, and each one is a discipline.

Reinvest. A lot of people want to take profits, and there's nothing wrong with that, but they take them too soon. Stay disciplined for a while. Keep putting it back in. The bigger your earnings grow, the more your business is worth, and the more you can buy.

Stay in your lane on size. I've found it works best to buy companies that are twenty to thirty percent of your revenue. If you're a ten-million-dollar company, look for the two- to three-million-dollar company. It tucks in. It doesn't stretch your cash, especially if you buy it right and structure it with the Shared Success Plan in Chapter 12. Start smaller than that if you're new: twenty percent of your revenue is a very safe first deal. And as you grow, that twenty to thirty percent grows with you, which is how the acquisitions get bigger every year.

Don't reach. When you've spent months on a company and you start reaching, you'll know it in your gut. Keep it in perspective. If you're buying at three and a half and you have to pay four, and you're folding it into a company worth six or seven, it's not the end of the world. That's exactly why sellers should want to find a buyer doing a roll-up, which is the next chapter. Chapter 21 has more on the discipline, when you're out looking.

Risk goes down, mostly

There's one more piece of the math, and it's about risk. As you roll up, you're not only getting bigger. You're getting more diversified: more customers, so no one of them can hurt you; more employees; more revenue streams; and if you buy across regions, more geography. I live in Florida. When a hurricane comes through, and we've had a few, a business with one location here is badly disrupted. A business spread across the country barely notices. The bigger and more spread out you are, the less any one event can do to you. Less risk is a large part of why the top of the ladder pays more.

What a roll-up can't protect you from is a change in the industry itself. Every town had a video store until Netflix went online. No acquisition strategy fixes that. So keep a keen eye on your industry, and on artificial intelligence in particular, because every owner now has two questions to answer: how can I use it to make my company stronger, and could it turn my whole industry upside down?

Your assignment

Three things. First, work out your own SDE, honestly, with the add-back column. Second, go find your industry's multiple: look for deals that have been done, ask people who've sold, search for it. Then you know roughly what your company is worth today, and you'll know a good deal when you see one, because you'll know what that business is worth inside yours. Third, write down when you'll make your first acquisition, this year, in twelve months, or in six; how many you want to make and how big you want the company to be in two or three years, and in five to seven; and which company in your market, at twenty to thirty percent of your size, would be the first one you'd want to talk to.

You'll have calculators for all of this when we get to the deal process. For now, understand the one idea: the same earnings are worth more inside a bigger company, and every acquisition makes yours bigger.

Now let's look at the same math from the other chair.

Two owners, same math

Uncle Dave is about to cash the compounding in. The machine, the plan, the roadmap to thirty million, all packaged for the buyer who wants to run the next leg. Family wealth, not a payday.

That's the math. Reinvest everything, let the flywheel spin.

The numbers don't care which one you are. They work the same.

CHAPTER 4

Why the Roll-Up Buyer Is the Seller's Best Buyer

Chapter 3 showed you the math. This chapter shows you what it feels like from the seller's chair, because the numbers only matter if the human being signing them can sleep at night.

If you're the seller, this chapter is for you first. It's about who you should be looking for when it's time to sell, and it's the opposite of what most of your advisors will tell you.

If you're the buyer, read it anyway, because it's what the seller across the table needs to hear from you. Everything in this chapter is a reason for him to choose you, if you're the kind of buyer it describes.

Why it matters to both of you: this book has buyers in the title, but it's written for both sides, and this is the chapter where the two sides meet. We are not competing. We are working together, and the seller who understands the roll-up buyer gets a better deal than the one who doesn't.

Your three choices

When you're ready to sell, you have about three kinds of buyers.

You can sell to an individual, someone buying one business, often his first. You can sell to your own people, a general manager or an employee group. Or you can sell to a company that's already in your business and is doing a roll-up.

The first two carry a risk that gets glossed over. The individual buyer has never done this. He's going to learn on your company, your customers and your employees. The bank knows that, which is why his financing depends on his house, not on your business. Selling to your own people can be wonderful, and I've helped structure it, but they usually have no

money and the same learning curve, and you end up carrying the whole risk anyway.

The roll-up buyer is different. He's already in your industry. He already has a viable business. He knows how to take care of customers like yours and employees like yours, because he's doing it right now. He has the infrastructure, the systems and the track record. When you sell to him, you're not selling to a stranger with a plan. You're bringing your company into a family of companies that already works.

Of all the deals I've done as an intermediary, every one but one went to a buyer running a roll-up. That's not an accident. It's because it's the safest place for a seller to land.

Find your Uncle Dave

So here's your job as the seller: find your Uncle Dave. That's what I call the roll-up buyer in your industry with the reputation. The one owners call when they're ready, because they know he'll take care of people. Every industry has one. Maybe it's Dave. Maybe it's you, someday.

That's how reputations work in a small industry. Everybody knows everybody. You do right by one seller, ten more hear about it.

And when you find him, talk to him in his language. Don't lead with your asking price. Lead with your customers, your team, your reputation. The things he can't build fast enough on his own. He's not buying a company. He's looking for accounts he can serve, people he can employ, and a handoff he can honor. Show him that, and you're not a seller with a price. You're the opportunity he's been looking for.

What your company is worth to him

Go back to Chapter 3. Inside a bigger company, your earnings are worth more per dollar than they are inside yours. A roll-up buyer knows that. He's getting the arbitrage, he's getting the shared overhead, he's getting the cross-selling. Your company is worth more to him than it is to

anybody else, and a good one will pay a little more because of it, in price or in terms or both.

A seller with a business that's an exact fit for a buyer's workflow is in a strong position and often doesn't know it. That's part of why I wrote this chapter. You should walk in knowing that your customer base, your team and your reputation are exactly what he can't build fast enough on his own.

The competence-and-character test

Here's the test I give every seller, and it's the most important paragraph in this chapter. Forget the price for a minute. Ask one question: can this buyer take care of my clients as good or better than I did?

That's competence. Then ask the second: is this somebody I trust with the thing I spent my life building? That's character.

What wins the deal isn't cash. It's competence and character. If the answer to both is yes, you don't have to worry about what happens every day after you leave. If it's no, don't sell to him, no matter the price. Sellers ask me, what if I sell it to somebody and they screw it up? My answer is, then don't sell it to them. You're choosing who to sell to. Chapter 14 shows you how to check, and Chapter 10 gives you the scorecard to check him against.

The terms are better

Here's the second thing most sellers aren't prepared for. You are probably not walking out on day one with all the cash. It's rare. Most Main Street businesses, especially service businesses without a lot of hard assets, sell with the seller carrying part of the price. In my experience that's been anywhere from ten percent all the way to a hundred. The only deals that don't work that way tend to be private equity, and even those usually hold back ten or twenty percent until certain things are met.

So the real question isn't whether you'll carry part of it. It's who you're carrying it for. And the answer that lets you sleep is a buyer who already knows how to run your business.

Now the part your advisors won't say. Carrying part of the price isn't a concession. It's your competitive advantage as a seller. When you're the bank, you solve the buyer's hardest problem: financing. A bank doesn't understand his business. You do. That makes you more valuable to him than any seller who won't carry, and he will gladly pay for it: a better multiple, better terms, sometimes both. The sellers who finance don't get less. They get more, because they're giving more.

And here's another skill, because this book is about skills. Learn to look at your business the way a banker would. We'll teach you how. A banker asks: does the cash flow cover the payments? What happens if revenue dips? What's protecting me if it doesn't? When you can answer those questions about your own company, you can underwrite your own deal.

Here's why that matters. When a bank is involved in your sale, who gets paid first? The bank. Not you. You're standing in line behind them. But when you're the bank, there is no line. You set the deal. You underwrite it to make sure it works. And you get paid first. That's not a detail. That's the whole game.

And here's why the financing works: it's the business's ability to pay. You're not hoping. You're underwriting. The cash flow covers the payments, or you don't do the deal. Chapter 12 lays out the Shared Success Plan with the different ways to structure the financing, so the business pays for itself.

Here's what all of this means. When you finance the deal, when you're the bank, when you underwrite it yourself, you're doing the thing that gets you out of the eighty percent. You're getting it done.

And think about what that means. Instead of closing the doors, instead of your employees scattering and your customers scrambling, you sold your

business. You can hold your head high. That's your Hall of Fame moment. And look how rare it is. Eight in ten never get there.

If you do what this book teaches, you've got a really good shot. If you follow the conventional advice out there, hold out for all cash, wait for the bank, the odds say you'll join the ones that never sell. I don't want that for you. The numbers are the numbers, but they don't have to be yours.

You sold the business. You handed your accounts to somebody who can take care of them as good or better than you did. Look at what you accomplished. You're not a statistic. You're part of the success. And when you carry part of the price, you're the one carrying the paper, which is the second payday Chapter 3 showed you.

There's more. When you're willing to carry, you find more buyers and more qualified buyers. You have a case for a better multiple and better terms, because you're making the deal possible. And you're in control. Nobody gets financing from you unless they qualify, which means you get to do diligence on the buyer the way a bank would, and that protects you. If a buyer is a little riskier, you say so: we'll do it, but it'll cost you a bit more and run a bit longer. That's your call. You're in the driver's seat.

I put it to sellers this way, and it's unpopular with a lot of advisors. If you're not willing to finance your own business, why should anybody else be? You know it better than any bank. When you stand behind it, it's a completely different conversation with a buyer.

Your plan for who takes over is a sale

Most owners have no plan for who takes over, and they feel bad about it. They lie awake at 2 a.m. thinking: what happens to my people? Who takes care of my customers when I'm gone?

Here's what I tell them: the roll-up buyer is your plan for who takes over. Not a document in a drawer. A living, breathing company that wants what you built and knows what to do with it. Your employees join something bigger, with more opportunity. Your customers get more resources

behind the service they trust. Your name stays on the door, because a good buyer knows the trust in your community is what he paid for. And you get to stop feeling guilty about the future, because you arranged it.

That's not a consolation prize. That's the best exit available. And the math in Chapter 3 says it pays you more, too.

Your legacy, your people, your customers

Most of the sellers I work with care about more than the price. They want to know what's going to happen to their employees, some of whom have been there twenty years. They want their customers taken care of. They want the thing they built to keep going. In a lot of cases they'll take a little less money for the right buyer, and I've watched them do it.

The roll-up buyer is the buyer who can actually deliver on that. Your employees join a bigger organization with more opportunity, not a first-time owner figuring it out. Your customers get the same service or better, with more resources behind it. And your name, in a lot of these deals, stays on the door, because a good roll-up buyer knows that the trust in your community is the thing he paid for.

How to approach him

This is for the sellers ready to act. Don't ask a roll-up buyer to buy your company. That question gets you the answer about multiples and earnings and risk. Ask a different question: will you take over my accounts, my signed work, my trained crew?

Then go to him with a case built for his company, not a generic pitch. Do your homework first. Know where his offices are and where the gaps on his map sit. Know what he's been buying lately, because that tells you what he's looking for next. Know which customers you share, because a facilities director who already buys from him is worth more to him than a stranger.

Open with what he gains, tied to what he's already said he wants: a gap on his map, a market he's entering, a capability he's missing. Show him the fit in his language. "You just bought a company like mine in a neighboring market. Here's the regional version, staffed and running." "You own the mechanical side in this market but you have no systems operation. This fills that gap with a crew and customers in place." Make it specific to him. A buyer who's been acquiring can see the pattern. You're just showing him where you fit in it.

Then lay out what's in it for him, plainly. Sticky customers he doesn't have to win. A trained team he doesn't have to recruit. Signed work he doesn't have to sell. No ramp-up, no years earning approved-vendor status, no systems to migrate. Accounts plus crew joining his operation, not another company's problems to absorb.

Alex Hormozi wrote a whole book about making offers so good people feel stupid saying no. I'm going to borrow something from his playbook here, because it applies perfectly. Here's the seller's version of an irresistible offer: your customers, your team, your help with the transition, your financing. All four, in one package, brought to the buyer done-for-you. He doesn't have to find the deal, underwrite the risk, or solve the financing. You've handled it. That's an irresistible offer. And when you make one, you don't negotiate from weakness. You name your terms.

The sellers who do this don't wait to be found. They choose their buyer. And the buyer who gets approached this way, with the work already done for him, moves faster than any buyer you could find through a listing.

What the offer looks like

Let me show you what this looks like when it lands on a CEO's desk. Not the theory. The actual offer.

It starts with a headline written for him, not for you. Not "Business for sale." Something like: "A regional operation for your company: trained

crew, hospital customers, five million in signed work." He reads the first line and sees himself in it.

Then the teaser. Two sentences. Here's a company doing seven million in revenue with five hundred thousand in earnings, in a market where you have no operation. You put some money down and the rest comes out of the revenue as it arrives. That's it. He hasn't turned the page and he already knows the shape of the deal.

Then the numbers that matter to him. Not your life story. Four stats: revenue pace, signed work not yet billed, the team he'd be getting, and how sticky the customers are. Eighty percent of sales from customers who've bought every year for four years. That one number tells him more than ten pages of projections.

Then why this fits him specifically. This is where your homework pays off. Four bullets, each one tied to something he's already doing or already said. You bought a company like this in a neighboring market last year. You have offices on both sides of this region but nothing in the middle. Your customers are the same facilities directors mine already sell to. Every bullet says: I did my homework, and this was built for you.

Then what he gets. Not features. Outcomes. Customers he doesn't have to win. A team he doesn't have to recruit. Work already signed that he doesn't have to sell. Approved-vendor status with hospital systems that took years to earn and he'd get on day one. Every bullet removes a cost or a risk he'd otherwise have to carry himself.

Then the math. Simple. Here's what the earnings are, here's what you'd pay for them, here's what they're worth inside your company. The gap between those two numbers is the value created the day this closes. No projections. No hockey sticks. Just the arbitrage, on paper, with his multiple.

Then how it works. Step by step. He takes over the accounts, the signed work, the crew. Modest amount down. Then a set percentage of what he collects from those accounts, for a fixed number of years. If a customer

leaves, the payments on that customer stop. That's his protection. No reps and warranties to negotiate. No company to buy. Just a clean handoff with the owner introducing his people to every account and staying through the transition.

Then the next step. Not a close. A twenty-minute call to walk through the numbers. That's it.

Read that again and notice what's missing. There's no asking price. No "motivated seller." No broker language. It's a business case, not a listing. It reads like someone did the buyer's job for him, because someone did.

That's what the offer looks like when it's done right. And when a CEO reads something like that, about a company that fits his map, with the math already done and the risk already handled, it should feel like the greatest thing that's ever landed on his desk. Because for most of them, it is. Nobody's ever approached them this way. They've only ever seen listings.

That's the sale. Not convincing. Showing.

An example

Let me show you one. I wrote a business case for a building systems integrator. Thirty years in business. Hospital systems as customers. Twenty-four trained technicians, a sales team, estimators. About seven million in revenue, half a million in earnings, five million in signed work not yet billed. The owner's employees and customers didn't know he was planning his exit.

I didn't write a listing. I wrote five different business cases, one for each buyer I had in mind. Each one opened with a headline built for that buyer. For one: "A regional operation for your company: building systems, a trained crew and hospital customers." For another: "The acquisition you just completed in a neighboring market, one state over."

Each one had four numbers. Revenue pace. Signed backlog. The team. Customer stickiness: eighty percent of sales from thirty-four customers who'd bought every year for four years.

Each one had four bullets on why it fit that buyer specifically. You just bought a company like this. You have offices on both sides of this state but nothing in the middle. Your customers are the same facilities directors. I'd done the homework. Every bullet said: this was built for you.

Each one laid out what the buyer gets. Sticky institutional customers. A trained crew. Five million in signed work. Approved-vendor status with hospital systems that takes years to earn. No recruiting. No ramp-up. No systems to migrate.

Each one showed the math. Here's what the earnings are. Here's what you'd pay: two and a half to three times. Here's what those earnings are worth inside your platform. The gap is the value created the day this closes.

And each one laid out how it works. Not a traditional acquisition. A takeover. The buyer takes over the accounts, the signed work, the crew. Modest amount down. Then a percentage of what's collected from those accounts, for a set number of years. If a customer leaves, payments on that customer stop. The owner's past obligations stay with him. Clean break, planned handoff, the owner introduces the buyer's people to every account.

Five buyers. Five business cases. Same company, same numbers, five different stories, because each buyer needed to see himself in it.

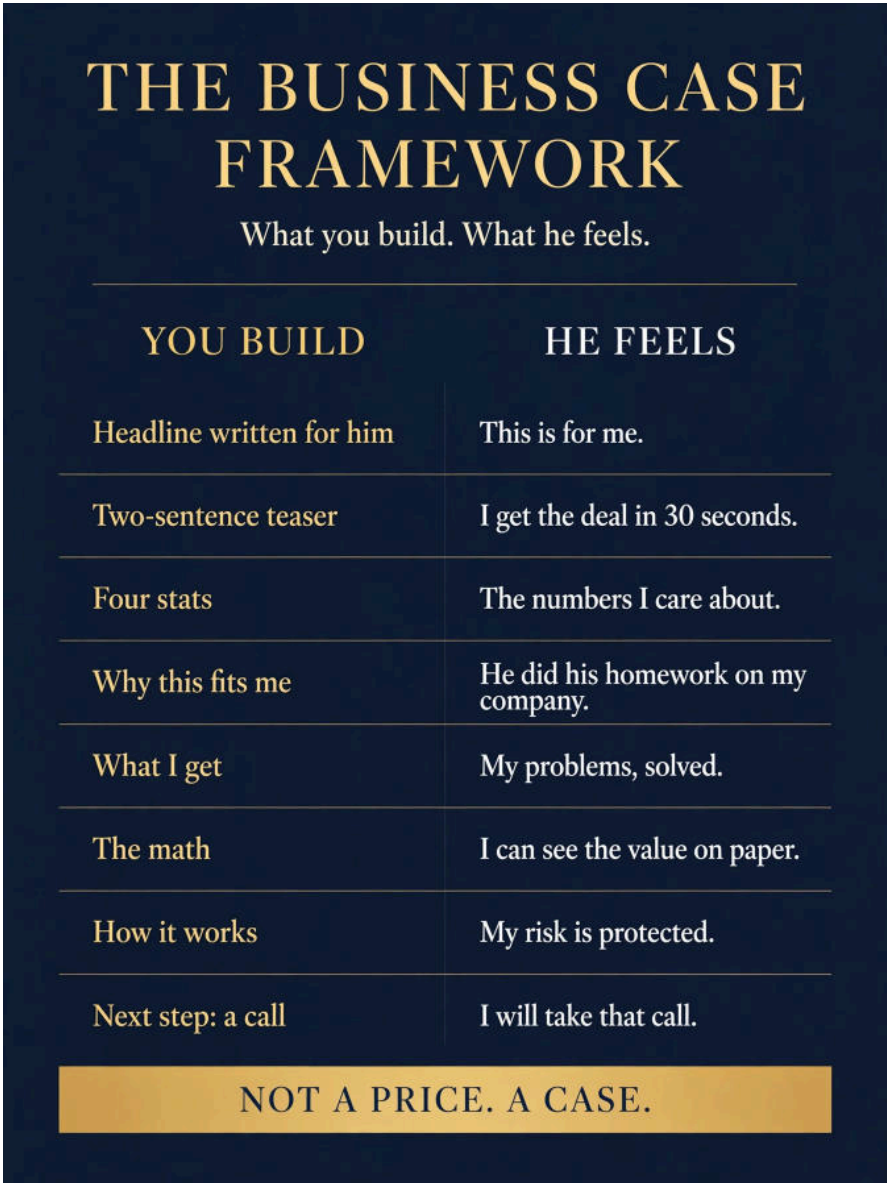
That's what I mean by an offer. Not a price. A case.

Exhibit: the actual document

Here's one of them. The real thing, with the names removed. I've walked you through it above. Now the template is waiting in the toolkit at

growthroughacquisitions.com: the same structure, blank, ready for your numbers. Fill in your headline, your four stats, your fit bullets, your math. By the time you're done, you'll have a business case you can send.

That's the framework. Use it.



The business case framework.

Now flip it

You're the buyer. You own a company. One morning, this lands on your desk.

It's addressed to you by name. The headline describes your company and the gap you know you have. The first paragraph names a business doing seven million in your industry, in a market where you have no operation, with half a million in earnings and five million in signed work. Some money down, the rest paid out of the revenue as it comes in.

Then four numbers. Then four bullets on why this fits you specifically, referencing the acquisition you just did, the offices you have on both sides of that state, the customers you already share. Someone did their homework.

Then what you get. Customers you don't have to win. A crew you don't have to hire. Work already sold. Vendor status that took thirty years to build, handed to you on day one.

Then the math. What you'd pay. What it's worth inside your company. The gap, on paper.

Then how it works. You take over the accounts. Modest down. Percentage of collections for a set number of years. Customer leaves, payments stop. Owner introduces your people to every account and stays through the transition.

Then one line: twenty-minute call to walk through it.

Now answer honestly. How likely are you to take that call?

That's the question every seller should ask before they send anything. Not "is my price fair." Not "will anyone be interested." Just: if this landed on my desk, would I pick up the phone?

If the answer is yes, send it. If the answer is no, rewrite it until the answer is yes. That's the whole test. You're not writing for yourself. You're writing for the person on the other side of the desk, and the only question that matters is whether he acts.

And notice what the buyer learns about you before you've ever met. This seller did his homework. He knows my acquisitions, my map, my

customers. He built the math for my company, not his. He structured the deal around my risk, not his payout. He thought about what's in it for me before he thought about what's in it for him.

That's not a seller. That's a business person. A true one. And it tells the buyer everything he needs to know about what kind of person he'd be in business with. The preparation is the credential. Before you've exchanged a single word, he's already decided you're someone he can work with. That's what separates the sellers who get chosen from the sellers who get listed.

If you're the buyer, read this twice

Everything above was written for the seller. But if you're the buyer, I need you to see it from your side of the table, because this is really what you're doing.

When you approach a seller this way, you're not taking something from him. You're giving him the thing he's been lying awake about. His employees get a bigger company with more opportunity. His customers get more resources behind the service they trust. His name stays on the door. He gets to stop feeling guilty about the future, because you arranged it. And he gets paid more in total than any cash buyer would pay him, because the structure lets you pay more.

And what does it do for you? You get customers you didn't have to win. A team you didn't have to build. Signed work you didn't have to sell. A market you didn't have to grind your way into. You get all of it for a modest amount down, with the rest paid out of the revenue it generates. If a customer leaves, you stop paying on that customer. Your downside is protected by the structure itself.

That's the win-win-win-win. The buyer wins. The seller wins. The employees win. The customers win. Four legs. If one is off, the table falls.

Now here's what I want you to understand. Everything in this chapter, the approach, the offer, the structure, is the front door to something bigger.

The secret sauce is what happens after the handoff. How you bring the seller's people into your company and make them glad they came. How you keep every customer feeling like nothing changed. How you structure the deal so the seller roots for you to succeed, because his payout depends on it.

That's the Shared Success Plan. It's the heart of this whole book. The offer gets you in the door. The Shared Success Plan is what makes it work after you're inside. We'll get there. But everything you're reading right now is building toward it.

Staying involved, or walking away

Not every seller wants to retire, and not every seller should leave on closing day.

Some want out now, for health or for life. Some want to stay a year for the transition. Some want to stay two or three years and help grow the thing, maybe carry a piece of the equity, do a lot less work, and get paid for it. A roll-up buyer can offer all of those, because he has the structure to plug you in without needing you to run the place. Think of it like a great athlete at the end of a career: still on the team, still valuable, playing fewer minutes.

Whatever you choose, there's one job only you can do. You are the only person in the deal who can transition the business, because you're the only one the customers and the employees know. Handing over the keys is not the transition. Standing next to the new owner and saying, this is who's going to take care of you now, and I picked him, is. Do that well and you can ask for more, because you're giving the buyer the one thing that makes the revenue real.

When this buyer sells someday, ask him to pay it forward, to transition it to somebody as good or better, the same way you did. That's how a legacy actually lasts.

The owner who is also the producer

One thing that comes up constantly, so I'll deal with it here. In a lot of small companies the owner isn't just the owner. He's a producer. I'm working on one now: about nine hundred thousand dollars a year in sales, three people including the owner, each producing around three hundred thousand, and the owner also runs operations and pays the bills. When he leaves, three hundred thousand of production walks out with him.

A buyer can't pay for earnings that leave with the seller. What a smart seller does is take responsibility for transitioning that revenue: help hire and train the person who replaces him, and stay long enough to hand the accounts over. It's a few months of his time. If the business sells at about three times earnings and his effort protects a hundred twenty-five thousand of earnings, that's three hundred seventy-five thousand dollars of price he just secured. He can choose not to. But he should know what the choice is worth.

Why this is the best exit

Let me put the whole chapter in one place.

The roll-up buyer already runs a business like yours, so the risk to your customers and employees is the lowest of any buyer. Your company is worth more to him than to anyone else, so he can pay more and still win. He can carry the deal on the business's own earnings instead of on his house, which means he'll actually close, and he can offer you the terms that pay you more in total than a cash sale. He can give you the role you want after the sale, from gone-in-ninety-days to partner-for-three-years. And he's the one buyer who can honestly promise that five years from now your employees will still be there, your customers won't have missed a beat, and the thing you built will be bigger than when you left it.

That's what a good deal looks like from the seller's side. It's the same deal that's good for the buyer, which is the whole point of this book. Four wins: buyer, seller, employees, customers. Five years from now, both of you should feel like you got the deal of your life.

If you're thinking about selling in the next few years, start paying attention to who's doing a roll-up in your industry. Find your Uncle Dave. Make sure he knows you exist. And keep reading, because the next two chapters are about why there has never been a better time.

CHAPTER 5

The Silver Tsunami: America Needs Business Buyers

I've done this a long time, and I don't say what I'm about to say lightly. The roll-up strategy, done right and done now, during the largest transfer of business ownership this country has ever seen, will create and preserve more wealth than almost anything else you could work on. Not through banks. Not through the children. Through skilled buyers doing roll-ups, structured so both sides win.

Where I come from

I told you at the start of this book where I come from: Colby, Wisconsin, my dad's Surge milking machine territory in the black dirt of Marathon County, a phone that got answered with the business name, and a motel after that. I've lived inside a small business my whole life. That's why I love the little guy.

So when I tell you what's about to happen to small business in America, I'm not talking about a statistic. I'm talking about the farmers with calloused hands and the guy with his name on the sign and the woman who's had the same twelve employees for twenty years. Those are the businesses in these numbers.

And that's why I wrote this book. I know how to do this when I represent people. I've done it hundreds of times. But I can't be there for everybody. There are millions of businesses and one of me. So I'm building a system: a platform that teaches others to do what I do, so they'll know what to do when I'm not in the room. And when we do a good job on the tools, the calculators, the checklists, the worksheets, we'll put them in your hands, so you're not just learning it, you're doing it.

I want to raise up thousands of buyers, as many as I can reach, to buy these small businesses and grow them the roll-up way. Because based on everything I've lived, it's the best way for a seller to sell: to somebody competent, somebody who can run it as good or better than they did. And it's the best way for a buyer to grow: not one customer at a time, but one company at a time. I want to be a voice for small business owners across America. And quite frankly, this isn't just America. All over the world, owners are aging out with nobody to hand to. The problem is everywhere. So is the answer.

The numbers, honestly

There's a lot of loose talk about the Silver Tsunami. Here are real numbers. I'd rather give you a real one than an impressive one. And I'm going to let the graphics do the talking in this chapter. The pictures make the argument better than I can. Everything that follows is real data from real research, and every number names its source. I'm not asking you to take my word for any of it. There are about thirty-six million businesses in the United States. Most of them are one person with no employees. About six million four hundred thousand have employees, and those are the businesses this book is about. Of the owners of those employer businesses, fifty-one percent are fifty-five or older.

That's about three million three hundred thousand owners, within a decade or so of the age where most people stop working. Project Equity's 2023 analysis of baby-boomer-owned firms counted about two million nine hundred thousand companies, thirty-two million workers, and six and a half trillion dollars in combined annual revenue. You'll hear people say ten trillion dollars of business value is going to change hands. That's a widely cited industry estimate, and nobody has ever shown me where it comes from, so I'll call it what it is. The six and a half trillion in revenue is sourced. Either way, it's the biggest transfer of privately owned businesses that has ever happened. Here's the part that matters most for a Main Street buyer: where those businesses are by size. The Census Bureau's 2022 Statistics of U.S. Businesses counts employer firms by

annual receipts. Applying the fifty-one percent owner-age share to those counts gives you a picture. It's a model, not a reported statistic, and I'm going to show you the math so you can see exactly what it is and isn't.

Annual receipts (cumulative)	Employer firms, 2022	Owned by someone 55+, modeled
Under $1 million	about 4.5 million	about 2.3 million
Under $2.5 million	about 5.5 million	about 2.8 million
Under $5 million	about 5.9 million	about 3.0 million
All employer firms	about 6.4 million	about 3.3 million



Where Main Street lives: U.S. employer firms by annual receipts. Source: Census SUSB.

Sources: U.S. Census Bureau, 2022 Statistics of U.S. Businesses, "The Number of Firms and Establishments, Employment, Annual Payroll, and Receipts by Industry and Enterprise Receipts Size" (released April 2025). Counts are rounded; the "under" totals are sums of the published granular bands. The 55+ column is modeled: firm counts times the fifty-one percent share of employer-firm owners age fifty-five and older from the Census Bureau's 2023 Annual Business Survey. Two honest caveats. First, that's two different datasets from two different years, the age share is 2023

survey data applied to 2022 firm counts, so treat the last column as directional, not exact. Second, not every business owned by someone over fifty-five is buyable. Some will go to the kids. Some will just close. Some aren't worth buying. "Owned by someone 55+" is a fact about demographics. "Buyable" is a judgment call. Don't confuse the two.



The Silver Tsunami, by business size. Modeled from Census data.

Look at the middle. That's the bullseye of this book, and the chart makes it obvious.

Nobody is bidding on the middle

If a company does five million dollars in earnings on twenty-five million in sales, there are a hundred private equity firms that will come after it and bid it up. Everybody's looking for that company. Where the gold is, you have to dig. It's in the five-hundred-thousand-dollar and the million-dollar and the two-million-dollar companies. There are buyers, but not enough that are qualified, diverse, and set up to take a business like that on. And these are the businesses that never sell, because somebody tries to sell them with a framework built for a fifty-million-dollar company: the C-corp, the investor deck, the bank. You can't buy a million-dollar

company with the same framework you'd use to buy a hundred-million-dollar one. That gap is the opportunity. Not because you can buy these businesses cheap. Because you can buy them at all, when almost nobody else is set up to.

And here's the scale of it. Chapter 1 said we need hundreds of thousands of buyers. Look at the table above: about two-point-eight million businesses under two and a half million in revenue, owned by somebody fifty-five or older. That's the modeled estimate, and even if it's off by a third, it's still millions. That's the buyer gap. Far more sellers than skilled buyers to meet them. If you're reading this book, you're somebody's answer.

And here's what this looks like at your scale. You don't need to be a big company to play. Say you're doing under a million in sales. You buy a two-hundred, three-hundred-thousand-dollar book of business, maybe making a hundred grand a year. That's still gonna matter in your business. That's not a rounding error. That's your twenty to thirty percent, that's your next rung on the ladder, and you didn't have to hire a soul to get it. The opportunity isn't just out there in the millions. It's sitting in your own market, at whatever size you are right now.

And once you learn how to do it, once you've done one, look at the sheer numbers. Millions of businesses sitting there. You don't need a hundred deals. Just do it two or three times a year. Each one twenty to thirty percent of your size, folded in, made stronger. Run that compounding in your head over five years. That's how a million-dollar company becomes a ten-million-dollar company. Not by working harder. By buying, folding in, and doing it again.

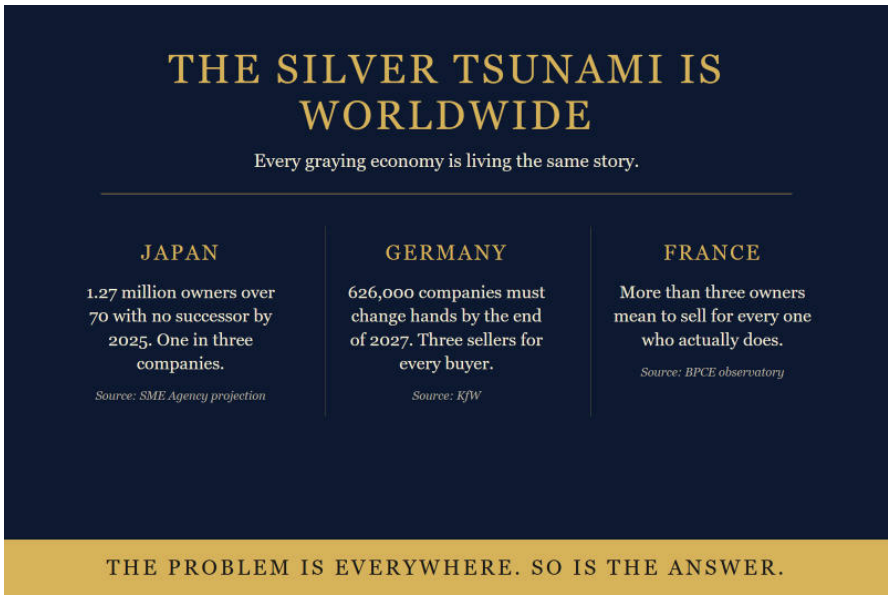
The children don't want it

One thing has surprised me more than anything else in my career: how many children, given the chance to take over their parents' business, say no thanks. I'll sit there thinking, are you kidding me? You're working for somebody else, and you have a chance to take over a company your

parents built from the ground up that's throwing off a million or two million dollars a year, and you don't want it. But it's out there, and it's common. So most of these owners need somebody to step in and acquire the business, and the roll-up buyer, who's already in the industry and already knows how to take care of customers and employees like theirs, is the safest place for it to land. Chapter 4 was about why.

And it's barely begun. Sixty-five and seventy aren't old the way they used to be. I grew up in the eighties, when people wondered whether Ronald Reagan was too old to be president. Now people in their sixties and seventies are fit, working, living longer, and a lot of them are hanging on because the business is their retirement plan. Most small business owners don't have the retirement plan a corporate employee has. Their business is the retirement plan. That's what's in these numbers: millions of families whose retirement depends on somebody buying the company, and buying it right. It's not just America. This is worldwide.

Japan is further down this road than we are: their SME Agency projected 1.27 million owners over seventy with no successor by 2025, one in three companies. Germany's KfW bank reports six hundred twenty-six thousand companies must change hands by the end of 2027, and KfW has counted three sellers for every buyer. France's BPCE observatory found more than three owners meaning to sell for every one who actually does.



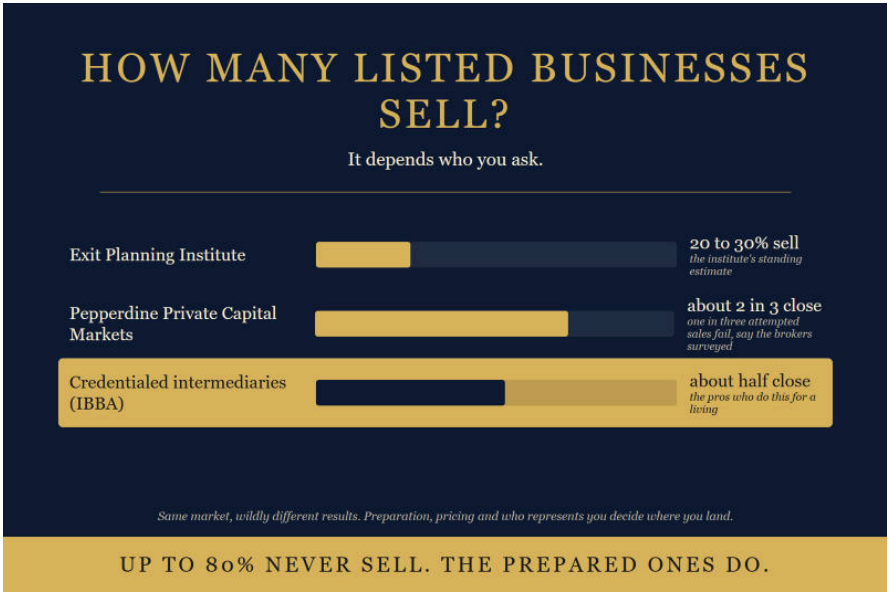
The Silver Tsunami is worldwide. Sources: SME Agency, KfW, BPCE.

Every graying economy on earth is living the same story. The problem is everywhere. So is the answer, and the answer is buyers. Trained, competent buyers, preferably companies already in business, stepping up now.

Three crises, one opportunity

Three problems are hurting every business owner you know right now, and the same three problems are the best conditions for buying a business that have ever existed. The first is that you can't find the people. Every owner has the work; nobody can get it done. The best buyers look at your company and see a team, not just a book of business. Chapter 6 has the numbers. The second is that nobody has a plan for who takes over. Only about one in eight business owners has a formal plan for leaving the business, according to the Exit Planning Institute's 2025 survey. In family businesses, PwC found about two in three don't have a robust, documented one.

Here's the number nobody puts on the slide, and it depends who you ask. The Exit Planning Institute's standing estimate is that only twenty to thirty percent of businesses that go to market actually sell. Up to eighty percent never do. Pepperdine's Private Capital Markets Project, surveying the brokers themselves, found about one in three attempted sales fail. And credentialed intermediaries, the pros who do this for a living, report closing about half their engagements. Same market, wildly different results. The number isn't fixed. It's a range, and where you land in it comes down to preparation, pricing, and who represents you.



How many listed businesses sell, by source.

And here's what doesn't show up in any of those statistics. When you put your business out there, when strangers are looking at your books, asking questions about the thing you built, picking it apart, the time, the effort and the energy make it one of the most miserable experiences there is, if you don't do it correctly. So it's not just that you listed it and didn't sell. You listed it, didn't sell, AND went through months of that. The statistic says eighty percent fail. It doesn't say what it cost them to fail. The third is that the old buyers can't finance the deal. Banks want hard assets; these

businesses are relationships. The owner wants all cash, all cash means the bank, and the loop kills the deal before it begins. Chapter 11 is all of it.

Now look at the three from the other side. The buyer who already runs a business in the industry doesn't need to hire the team; he's buying it. The owner with no plan doesn't need one he doesn't have; he needs a buyer who's done this before. And the deal a bank won't finance can be financed by the business: the seller carries part of the price and is paid from the revenue the business collects, the buyer puts real money down and doesn't bet his house, and the business pays for itself or the deal isn't done. That's the Shared Success Plan, and Part Two is all of it. Three crises. One structure that turns every one of them into a reason the deal gets done.



Three crises, one opportunity.

Whose market is it? People ask whether this is a buyer's market or a seller's market. It's both. The buyer who understands this chapter can find the best deals and the best fits, because most of his competition is still waiting on a bank. The seller who understands it can get more than a

cash sale, because he's earning what the bank would have earned, and because a roll-up buyer can pay more and still win. It's not always about the money. It's about the legacy and preserving it. But the money works too, for both sides, when the deal is built right. We are not competing. We are working together.

Better than the titans had

The titans in Chapter 17 did it with owners who had no reason to sell, in a country with no framework for it, by telegraph. You have millions of owners who need to sell, a playbook with a century and a half of proof behind it, a way to finance the deal that doesn't depend on a railroad or a bank, and tools they never dreamed of. You have a better opportunity than Rockefeller, Carnegie, Morgan or Sears ever had. Business right now needs skilled buyers executing a roll-up strategy. It's necessary for this transfer to happen at all.

The window

Windows close. The owners who are sixty-five today will not be running their businesses in ten years, one way or another. The buyers who build a reputation now, as the safe place to sell in their industry, will be the ones the owners call. The ones who wait will be competing for what's left, against buyers who have already done ten deals. If you don't do it, somebody will, and one day you'll say, I knew about this in 2026 and I didn't act on it. Don't have that moment. For sellers the window is real too: the buyer who's right for your company is building his platform now. Find him before he's full. Here's what keeps me at this. Every business that closes because nobody bought it is somebody's life's work gone, employees scattered, customers scrambling, and a family that gets nothing for thirty years.

I know an owner who closed her doors. She ran a good local business for years. Had a team, had customers who trusted her, had a name people knew in town. But she didn't understand the business itself had value. The accounts, the staff, the relationships. So she sold the equipment, put

the building on the market, and walked away. The business itself, years of mornings, of showing up, of taking care of people, went to zero. Not sold. Just gone. If she'd known there was a buyer out there, her Uncle Dave, ready to welcome her company into the family, that doesn't happen. Multiply that across the businesses that never sell and it's a lot of jobs and a lot of wealth that just goes away, in a lot of towns like the one I grew up in.

We need a framework where every small business has a chance to sell and every owner has a chance to get paid for what he built: buyers who are honest, and sellers who can put the ego down and stop demanding all cash. You don't need all cash. You need to get paid for what it's worth, over time, while your portfolio grows. This book is that framework. Not quick. Once. People hear "opportunity of a lifetime" and think get-rich-quick. This is not that. This is get rich once, for generations. What the Bible says about your children's children is what you're building, and the last chapter of this book is about that. It's slow by design, one acquisition at a time, twenty to thirty percent of your size, folded in, made stronger, repeated. It's a business you can hand down, not a flip. And it's built to be good for everybody. When the deal is built right, you've kept something alive that would have died.

Take the action while the door is open

Buyers: write down the type of roll-up that fits your business, the size of company you can safely absorb, and the names of three owners in your industry you'll have a conversation with this month. Not next quarter. This month. Sellers: write down what matters most to you in this transition, in order, and be honest. Then write down what a buyer would need to see to trust your business, and go to the Business Valuation Playbook at growthroughacquisitions.com and start building it. Both of you: start paying attention to who's doing a roll-up in your industry. That's your buyer, or that's your competition. Either way, it's time to know them. Somebody's going to be the one who catches all these owners.

It might as well be you. The next chapter is the other half of why now: the people you can't hire.

CHAPTER 6

The Team Is the Real Asset

The team that keeps acquiring.

Here's something most owners miss. When a roll-up buyer sells his company someday, the buyer won't just be buying his revenue. They'll be buying his team. And not just the team that runs the business. The team that knows how to take the next handoff.

People who have done this before have absorbed a new company. They've welcomed new employees. They know what the first ninety days feel like. That experience doesn't show up on a balance sheet, but it's the most valuable thing in the building. It's why a strategic buyer will pay more for a company than the numbers alone justify. They're not buying a business. They're buying an acquisition machine with the crew to run it.

The smart ones build that team on purpose, from day one. Not after the deals. Alongside them.

Uncle Dave learned this the hard way. His first handoff came with six people, and he thought he was buying revenue. What he was actually buying was six people who knew the customers, knew the work, and knew each other. He told me later: "I thought I bought a book of business. Turns out I bought a team that knew how to take the next one." That team taught his team. By the third handoff, his people were running the playbook themselves.

Chapter 5 was the other half of why now: the owners are leaving, and America needs buyers. This chapter is the half that hits you on Monday morning: you can't find the people, and when you find them, they cost more and take longer than they used to. Then it shows you the way around it. And if you own the company that will one day be sold, notice what the numbers say about the most valuable thing you own. It isn't your revenue. It's your trained team, and in this labor market that team is

worth more to the right buyer than it has ever been. The same shortage that holds the buyer back is what makes the seller's company worth buying. One deal solves both problems at once.

What organic growth costs now

When I started this work, growing a business meant finding customers. Now it means finding people. Every owner I talk to has the work. They can't get it done. The numbers say the same thing. In August 2026, thirty-five percent of small business owners surveyed by the National Federation of Independent Business had job openings they could not fill, eleven points above the historical average for that survey. Of the owners who were hiring or trying to hire, eighty-two percent reported few or no qualified applicants. Across the whole economy, the Bureau of Labor Statistics counted about seven million three hundred thousand open jobs in July 2026 and about six million nine hundred thousand people looking for work, which is roughly one open job for every job seeker. The market has loosened from the worst of 2022, and it is still tight by any historical standard.

Then there's what it costs to hire when you can. The Society for Human Resource Management put the average cost of a hire at about four thousand seven hundred dollars in 2022, and its 2026 benchmark shows a median of thirty-nine days just to fill a position. That's before training, and before the months it takes a new person to earn their keep. I won't give you a number for that last part, because the figure everybody quotes turns out to trace to a software company's press release. You know from your own business how long it takes. It's long. And wages keep climbing. Private-industry wages and salaries were up about three percent over the year to mid-2026, and average hourly earnings up about the same. Not runaway, but steady, every year, on top of a smaller pool of people to hire from.

Why it isn't going back to normal

This is not a cycle that reverses when the economy shifts. It's demographics. More than four million Americans turn sixty-five every year from 2024 through 2027, more than eleven thousand a day, the largest wave of people reaching that age in the country's history. The labor force participation rate for people fifty-five and over is about thirty-seven percent; for people twenty-five to fifty-four it's about eighty-three percent. When a worker crosses from one group to the other, the odds that he's still working fall by more than half. The people who know how to do the work are leaving the workforce faster than they're being replaced, and the owners who employ them are leaving at the same time. That's the Silver Tsunami hitting the labor market and the business market in the same wave.



The hiring wall. Sources: BLS, NFIB, SHRM, ABC, Alliance for Lifetime Income.

The trades are the sharp end

Nowhere is this clearer than in the skilled trades, which is where a lot of the businesses in this book live. Associated Builders and Contractors

estimates the construction industry needs to attract about three hundred forty-nine thousand net new workers in 2026, and more the year after, with most of that demand coming from retirements rather than growth. The Bureau of Labor Statistics projects about seventy-three thousand openings a year for electricians over the next decade, about forty-two thousand for plumbers, and about forty-one thousand for heating and cooling technicians, most of them to replace people leaving the trade. Deloitte and the Manufacturing Institute estimate that as many as one million nine hundred thousand manufacturing jobs could go unfilled by 2033. You cannot hire a productive electrician off a job posting. He needs years of experience, and he already works for somebody, very often for an owner who's about to sell. In these industries organic growth isn't just slow. For a lot of owners it's close to impossible. The team is the business, and the team is already assembled, somewhere down the road, inside a company whose owner is thinking about what comes next.

Buy the team you can't hire

Here's the shift, and it's the same one as Chapter 1 from the other direction. You're used to acquiring one customer at a time. You're also used to acquiring one employee at a time. A roll-up acquires a whole team at once: trained, productive, with relationships to the customers they serve and a history of working together. The infrastructure to take care of those customers comes with them. You're not paying a recruiter, waiting thirty-nine days, and hoping. You're buying people who are already doing the work on day one.

Think about what hiring looks like. You go through all the interviewing. You hope you made a good decision. You don't know for sure if they'll even accept your offer. Then you gotta train them, and hope they stay. Growing that way is very difficult.

Now compare it. Say you buy a million dollars of revenue. Three or four employees producing it. Two hundred fifty, three hundred thousand of earnings. The customers are already used to paying the bills. The team already knows the work. Everything's in there.

So instead of spending all that time recruiting one person to maybe add three hundred thousand to your revenue, whatever your numbers are, you've got something turnkey. Day one, it's producing. And it's way less risky, because you're not betting on a stranger. You're buying a team that's already doing it.

Uncle Dave puts it this way: "I spent fifteen years trying to hire my way past two million. Couldn't do it. Then I bought a company with four people in it, and overnight I had what I'd been trying to build for five years." That's the math nobody runs. The team you can't hire is sitting inside the company down the road, waiting for someone to take the handoff. That's why I keep telling owners that the accounts are what's valuable, and then correcting myself: the accounts and the people who keep them.

Here's how the smart ones build it. From day one, they put in place processes and procedures. Not after the first handoff, when things get messy. Before. They know the business flows through them, and that's the bottleneck. So they build the operating system alongside the acquisitions: how we hire, how we train, how we take care of customers, how we absorb a new team without breaking what's working. The tax practice in Chapter 13 is the proof: no accounting firm in town had the staff to take twelve hundred clients, so a financial planner got them, and for a season, the man who knew every one of them.

In one of my deals, the seller's payments were tied to the production of a three-person team, because that team was the revenue. The people closest to the customers are the reason the buyer makes the acquisition. I've said it before in this book and I'll keep saying it. Sellers, understand what this means for you. A buyer who's been trying to hire for two years will pay for a trained team in a way a buyer who just wants your revenue never will. Your people are your premium. Keep them, take care of them, and make sure the buyer meets them.

Why small beats big on the thing that matters

Here's what the buyer is really getting, and it's worth saying plainly.

There used to be two sayings in American business. "When E.F. Hutton talks, people listen." And "Nobody ever got fired for buying IBM." Both meant the same thing: big was safe, big was trusted, big was where you put your money and your career. Those days are coming to an end.

Gallup asked Americans how much confidence they have in small business versus big business. Seventy percent said they trust small business. Fifteen percent said they trust big business. That's Gallup's June 2025 Confidence in Institutions poll. Small business has been at the top of that list since Gallup first asked about it in 1997, and in 2025 it ranked first by itself, ahead of the military. Gallup has been asking about institutions since 1973, and small business hasn't dropped below fifty-nine percent since 2007.



America trusts small business. Source: Gallup, June 2025.

That's not an accident. It's the people. When a customer calls a small company, they talk to somebody who knows their name, who's been in their building, who picks up the phone. Bain studied this in business-to-business markets, in its Net Promoter research on B2B loyalty, and found that customers who'd recommend their supplier are worth three to twelve times more over their lifetime than the ones who wouldn't, and that the loyalty leaders grow four to eight points faster than their market. Same product, same price, different relationships, different growth.

A big company can't buy that. They try. They spend millions on "customer experience." But you can't systematize somebody caring. It lives in the people. The technician who's been servicing the same accounts for fifteen years. The office manager who knows which customer likes the invoice emailed and which one wants it mailed. That's not in the CRM. That's in the humans.

So when you buy a small business, you're not just buying revenue and a crew. You're buying the trust those people carry, trust a big competitor can't replicate at any price. That's the small-business value, and it's the reason the team is the real asset. The relationships are the moat.



Small business is the American economy. Source: SBA Office of Advocacy.

Ninety-nine point seven percent of employer firms. Forty-six percent of private employment. About six in ten net new jobs for thirty years. Small business isn't the cute little brother of the economy. It IS the economy.

Two more ways through

I'll give you two more things I've watched work, because not every owner is ready to buy a company this year. The first is the relationship with a business process partner. I work with a revenue cycle company that has made several acquisitions and keeps strengthening its business with its own technology and a scalable workforce. Some of that workforce they hire. Some of it comes through relationships with outsourcing partners, who are often very good at integrating with your systems and managing the people you route to them. That relationship means the company isn't pigeonholed into hiring for every bit of growth, organic or acquired. The second is technology, used the right way. If you're running a company today and artificial intelligence isn't somewhere in your workflows, and you're not aggressively looking for where it can be, you're falling behind.

But I want to be clear about what it's for. A lot of people are using it to cut employees. In my experience most small companies have had a harder time fulfilling the work than selling it. So use it to make your people more productive, so they can do more and you can grow, not to cut them out. I have a client in a technical service business who is investing heavily in automation for exactly that reason. He isn't doing it to eliminate jobs. He's doing it to create the margin to pay his people more, in a labor market where a good technician can go anywhere. That's the right use, and it's also the use that makes your company more valuable when it's your turn to sell.

Why should anybody hand their business to you? Now let me turn this around on you, because this book isn't just about finding sellers. It's about deserving them.

Why should anybody hand their business to you? That's the question I want you to start asking yourself. Will you take as good or better care of their customers? Will you pass that test? Will you take as good or better care of their employees?

That is the litmus test. That's our benchmark. Everything in this book, the math, the structures, the playbook, assumes someone on the buying side who can take the handoff and do it as good or better. If that's not you yet, this book will get you there. But don't skip the question. The sellers you'll meet spent thirty years building something. They're not handing it to the highest bidder. They're handing it to the safest hands. Be those hands.

What this means for your next deal

Put this chapter together with the last two. The owners are leaving. The workers are leaving with them. The buyers who wait for the labor market to fix itself will wait a long time. The buyers who understand that the fastest way to add ten trained people is to buy the company they work for, and to do it in a way that makes those people glad it happened, are the ones who are going to grow. That takes a way to pay for the deal that

doesn't run through a bank, which is Part Two, and it takes character as much as capital, which is Chapter 20.

And remember what this chapter is really about. When a roll-up buyer walks into that exit, the team is the asset. Not just the revenue they produce. The fact that they've done this before, that they can do it again, that the next owner doesn't have to teach them. That's what turns a good company into a strategic acquisition. That's what takes it from a number to a legacy.

Sources for the figures in this chapter: NFIB Small Business Economic Trends, August 2026 Jobs Report; U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (July 2026), Employment Situation (August 2026), Employment Cost Index (June 2026), and Current Population Survey; SHRM, The Real Costs of Recruitment (2022) and 2025 to 2026 benchmarking; Alliance for Lifetime Income, Retirement Income Institute, "Peak 65" (2024). Figures are current as of September 2026.

CHAPTER 7

AI Levels the Playing Field

I spent a career building experience. AI is the first technology that lets me multiply it.

Read that again, because it's the whole chapter. Every tech wave before this one helped the big get bigger. Computers, software, the internet: the big company could afford the system, the IT department, the developers. The small shop got the scraps, years later, watered down. If you ran a business under five million, you were the segment the economy leaves behind. Too small for private equity to notice. Too small to afford McKinsey. No operating partner, no M&A team. And yet you were the largest shareholder of the asset, with most of your net worth trapped inside it.

AI breaks that pattern. It's the first technology that runs the other way.

The purpose is not to replace you

Let me be clear about what AI is for, because most of what you hear is wrong. The purpose of AI is not to replace human intelligence. It is to transform human intelligence into measurable business performance. Technology isn't the product. Expertise is the product. AI is the delivery mechanism. You spent twenty, thirty years learning how your customers think, what goes wrong on a job, which employee to send to which account. That's expertise. AI doesn't replace it. It multiplies it. We don't teach AI to think. We teach AI how experts think: your experts, your way of doing it.

When information becomes free, judgment becomes priceless. That's the shift. The scarce asset was never data. It's knowing what to do with it. And that is exactly what a seasoned owner has and a model does not.

What it does for Main Street

Let me show you what this looks like on a real business. I'm working with an owner, call her Donna, who runs a government environmental testing and consulting firm. Asbestos, abatement, design support, mostly for federal agencies. One woman, twenty-five years of military and facilities experience, and her entire operation runs on a hand-built Excel workbook. Three hundred twenty active jobs in that workbook. Every job number, every deadline, every invoice trigger, every set-aside status. It all lives in the spreadsheet, in her Gmail labels, in her folders, and in her head. She IS the system. We're building her AI brain now. Not to replace her. To multiply her. I'm not doing it alone. Two technical partners, a systems thinker and an AI scientist, are the minds behind this. They take what I learn sitting with an owner and turn it into something the machine can actually do. I bring the judgment. They bring the engineering. That's the combination.

Phase one was sitting with her for fifteen days, mapping how work actually moves: how she triages a project, how she knows an invoice is ready, how she decides what happens next. Three hundred twenty rows of workbook, and behind every row, a judgment call she makes without thinking because she's made it ten thousand times. That's what we're teaching the AI. Not to think. To think the way SHE thinks.

Phase two is three months, and here's the part most tech projects skip: we're not just building the system, we're making sure she lives in it. The dashboard learns from how she labels her email, how she saves files, how she updates a project's status. It connects the messages to the jobs, suggests the updates, and she confirms or corrects them, and every correction makes it smarter. The spreadsheet and the dashboard run side by side for a while. By the end, the spreadsheet is history and the dashboard is how she runs the company. Twenty-five years of expertise, in a system the business owns.

Here's why this matters for this book. Right now, Donna's company is worth whatever a buyer will pay for a business that lives in one person's

head. That's a discount, because the buyer knows the risk. But the day her expertise is in a system, the day the AI brain knows what she knows about every job, every deadline, every invoice, the company is worth more. To her, because she can grow it without cloning herself. To a buyer, because he's buying a system, not a memory.

That's the weapon. A one-woman shop with an AI brain does the work of five people, and the five people's worth of expertise doesn't walk out the door at five o'clock.

Here's what it looks like in practice, beyond her. The estimate that used to take your best guy half a day, done in twenty minutes, with his judgment on top of it. The follow-up emails that never got sent, sent. The marketing you couldn't afford an agency for, done in-house. The admin work that ate your office manager's afternoons, handled. None of it replaces anybody. All of it makes the people you have more productive.

And that's the point Chapter 6 made: use it to make your people more productive, so they can do more and you can grow, not to cut them out. The team is the real asset. AI makes the asset stronger.

Even Bezos sees it

In October 2026, Jeff Bezos sat down with Fox News and said artificial intelligence will boost productivity enough that people could support their families working three days a week. Not five. Three. And here's the part that matters for this book: he didn't predict mass unemployment. He predicted labor shortages. His argument is that when each hour of work becomes that much more valuable, people work less, and employers struggle to fill roles.

Read that again. The founder of Amazon, the company that automated half of retail, is telling you the future is a labor shortage. Put that next to Chapter 6: you can't find the people now, and it's going to get harder, because the people you can find will need fewer hours to make the same living. The team you buy in an acquisition isn't just solving today's hiring problem. And notice what he didn't say. He didn't say AI replaces the

team. He said AI makes each hour worth more. That's this chapter in one sentence. The weapon doesn't eliminate the people. It multiplies them. The owners who have a team, and give that team AI, are the ones who win the shortage.

The gurus will tell you AI is coming for jobs. Bezos told you it's coming for the forty-hour week. Believe the guy who built the machine.

And he's not alone. Bill Gates told Jimmy Fallon we're headed for two or three days a week. Jamie Dimon said three and a half. Jensen Huang said four. Zoom's Eric Yuan said three or four days. Elon Musk went further and said work itself becomes optional. Different people, different numbers, same direction. Every one of them is describing a world where each hour of human work is worth more, not less.



The shrinking week: the work week the builders of AI predict, with dates.

That's the bet this chapter makes. Not that AI replaces your people. That it makes your people the scarcest, most valuable thing you own.

The weapon, not the threat

Here's how I want you to think about it. AI isn't something happening to small business. It's a weapon small business gets to pick up, and the big companies can't use it the way you can.

Why? Because AI amplifies intelligence, and you have the intelligence worth amplifying. A big corporation has committees, compliance reviews, six-month rollouts. You have judgment, speed, and customers who know your name. You can put AI to work on Monday. They'll still be in the planning meeting.

Character determines whether that amplification creates good or harm. That's not a slogan. It's the reason the buyer in this book, the one with competence and character, wins with AI and the strip-and-flip artist doesn't. The tool goes to whoever wields it right.

The buyer math gets better

An acquired team plus AI is more productive than the same team was under the seller. The earnings go up. The multiple goes up. The arbitrage from Chapter 3 gets wider. The weapon doesn't just help you compete. It makes every deal you do worth more.

That's the second engine. Perform with AI on the organic side. Acquire on the inorganic side. One scoreboard: the value of the company.

The two questions

Every owner has two AI questions to answer, and they're both urgent. One: how can I use it to make my company stronger? Two: could it turn my whole industry upside down? The first one makes you money. The second one keeps you alive. Answer both.

Experience is still the best teacher

Here's what a career in the deals taught me that no model can learn from data. Experience is still the best teacher. You can't download judgment. You can't prompt your way to knowing what a scared seller looks like across the table, or when a deal is about to fall apart on a Tuesday, or which employee to send to which account on a bad day. That's earned. One rep at a time, one mistake at a time, one save at a time. AI can only do what we tell it. That's not a limitation I'm apologizing for. That's the whole point. The machine doesn't know what matters until a human tells it. It doesn't know which judgment call is the right one until someone who's made it ten thousand times shows it. It still needs our human intervention and our reasoning, every step of the way. The day it doesn't is the day you should worry. That day isn't coming.

So the question isn't whether AI will replace experience. It won't. The question is whose experience it multiplies. The owner who's spent thirty years learning his customers, his crews, his market, and now gives that to a machine that never sleeps? That's not a tool. That's a weapon. And the owner who skipped the thirty years and thinks the tool is the expertise? He's holding a calculator he's never learned to read.

Experience is the teacher. AI is the student. Don't get it backwards.

The gurus with ChatGPT

There's a lot of gurus out there right now who think they know this space because ChatGPT says so. They can prompt their way to something that sounds smart. They've read the same articles you have. They've got the vocabulary.

Here's what they don't have: twenty-five years of deals. They've never sat across from a seller who's scared. They've never watched a closing fall apart on a Tuesday and put it back together by Friday. They've never not gotten paid and had to decide what to do about it. Information is free now. Judgment isn't.

That's the line I wrote in July: when information becomes free, judgment becomes priceless. AI multiplies expertise. It doesn't create it. The guru with ChatGPT and no scars is holding a calculator he's never learned to read. The owner with twenty-five years of judgment and AI behind him is holding a weapon.

So don't confuse the tool with the craftsman. The tool is available to everyone. The judgment is earned. And in a world where everyone has the same tool, the judgment is the only advantage left. That's why this chapter exists. Not to teach you AI; the tools change every quarter. To teach you what to point it at: the expertise you've spent your life building. The machine multiplies. You decide what's worth multiplying.

What an AI agent actually does for you

Enough theory. Here's what this looks like on a Tuesday morning. You wake up and your agent has already read your email. Not summarized it. Triaged it. The customer with the urgent problem is flagged. The vendor invoice that doesn't match the quote is flagged. The seventeen newsletters you never read are gone. The three messages that actually need you are at the top, in order, with what each one needs from you in one line.

Then your dashboard. Not a report you have to open. A briefing, waiting for you. Cash position. Jobs starting this week. Invoices overdue. The employee whose timesheet looks wrong. The customer who hasn't ordered in sixty days and used to order every thirty. The things you'd catch if you had three hours and a pot of coffee, caught before you've had either.

Through the day, it watches. The estimate that went out and hasn't been answered in a week? Follow-up drafted, waiting for your yes. The job that's running over on hours? Flagged before it eats the margin. The supplier whose price crept up three quotes in a row? Noted.

And the SOPs. Every owner has a list of standard operating procedures they've been meaning to write for years. The way you want the phones answered. The way a job gets closed out. The checklist for onboarding a

new tech. It sits on the list because writing it takes hours you don't have, and by the time you sit down, something's on fire. Now you talk it through once, out loud, the way you'd explain it to a new hire, and the agent writes it. Formatted, organized, ready to hand to the team. The thing that took a weekend now takes twenty minutes. That's not a small thing. That's the operating system of your company, finally written down. It's the stuff a great executive assistant used to do, except this one never takes a vacation, never misses a detail, and costs less than the coffee budget.

That's what I mean by multiplying judgment. You're still making every call. The agent just makes sure you see everything you need to make it, before it costs you money.

Now, you do still have to pour your own coffee. Some things even AI can't fix.

The secret weapon of the little guy

Let me tell you why I'm excited, not scared.

Every technology wave before this one helped the big get bigger. The mainframe, the software license, the IT department, the data team. If you ran a business under five million, you watched the big companies buy advantages you couldn't afford, and you made do with less. That was the deal for forty years.

AI breaks the deal.

It's the first technology in history that favors the small. Not because it's cheap, though it is. Because of what it multiplies. AI doesn't multiply money. It doesn't multiply headcount. It multiplies judgment. And judgment is the one thing the little guy has more of per dollar than anyone on earth. Thirty years of knowing your customers, your crews, your market, packed into one owner who answers his own phone. No big company can buy that. No consultant can replicate it. And now, for the first time, that owner can multiply it. The big company gets AI too. But

they've got committees, compliance reviews, six-month rollouts, and seventeen people who have to agree before anything changes. You've got a decision on Monday and a result on Friday. Speed is the weapon, judgment is the ammunition, and AI is the force multiplier. That's a combination no enterprise software ever gave you.

So here's the close. The owners leaving are the opportunity. The team is the asset. And AI is the secret weapon of the little guy, the thing that lets a five-million-dollar company punch like a fifty-million-dollar one. Not by replacing anyone. By multiplying the people you already have, the judgment you've already earned, the relationships you've already built.

They had forty years of technology working for them. Now it's our turn.



The secret weapon of the little guy.

PART TWO

The Shared Success Plan

How a Main Street buyer actually does it

CHAPTER 8

The Most Expensive Sentence in Business

"I'll see you in court."

Five words. And the moment you say them, you've already lost. Not the case. The math.

Let me show you what defending a deal actually costs. You hire the attorney. Fifty, seventy-five, a hundred thousand dollars before you see a courtroom. Then discovery. Depositions. Motions. Eighteen months, two years of your life spent reliving the worst business decision you ever made. The stress sits on your chest every morning. Your customers feel it. Your employees watch you fight instead of lead. Some of them leave. By the time a judge rules in your favor, and you probably win if the paperwork was good, the business you were fighting over is worth a fraction of what it was. The customers are gone. The team is scattered. You won the case and lost everything the case was about.

Add it up. The legal fees. The lost customers. The lost employees. The two years you didn't spend growing something. The "win" costs more than the deal was ever worth.

That's why I say the most expensive sentence in business is "I'll see you in court." Because the moment you need the contract, the contract has already failed you. Not because it was badly written. Because no piece of paper can make someone keep their word. It can only punish them after they break it, at a price that punishes you too.



The most expensive sentence in business.

Why this chapter comes before the plan

So far this book has been positive, and it should be. The math works. The moment is real. The team is the asset. All of that is true, and I spent seven

chapters proving it.

But if you're going to do this, if you're going to take the handoff, put your name on it, and bet your future on another person's word, you need to see the whole thing. Not to scare you. To complete the picture. An opportunity you understand fully, including how it fails, is worth more than one you only see half of.

Here is where it can break. The biggest thing that goes wrong in these deals isn't the numbers. It's not the financing. It's trust.

So what actually protects you?

One thing. The person across the table.

Not the paperwork. The person. Their character: will they keep their word when it's inconvenient? Their competency: can they actually run what they're buying? That's it. That's the entire risk management system for a Main Street deal. Everything else is a receipt for what two trustworthy people already agreed to.

I've done hundreds of deals. The ones that worked weren't the ones with the best attorneys. They were the ones where both people kept their word. The ones that blew up didn't blow up because the paperwork was weak. They blew up because someone stopped showing up, stopped paying, stopped caring. The paper was fine. The person wasn't.

You can't lawyer your way out of a bad partner

These are hard to lawyer up. I mean that. You can paper a Main Street deal six ways to Sunday: representations, warranties, non-competes, personal guarantees. None of it saves you if the person across the table doesn't keep their word. The documents describe the deal. They don't enforce character.

A contract is a record of what two people agreed to. It's not a substitute for the agreement itself. When a buyer stops executing, stops taking care

of the customers, stops paying on time, stops showing up, the contract doesn't fix it. It just gives you something to wave while everything burns.

The word and the execution. That's the whole deal. Everything else is paperwork.

Get the paperwork. Then understand what it can't do.

Let me say this plainly, because I know attorneys will read this chapter. I'm not telling you to skip the attorney. Get the attorney. Get the engagement letter. Get the representations, the warranties, the non-compete, all of it. Do the paperwork right.

I'm telling you what the paperwork can't do. It can't make someone keep their word. It can't make them execute. It can't make them pick up the phone when something goes wrong instead of calling their lawyer. The paper is the floor. It's the minimum. The person is the deal.

Any honest attorney will tell you the same thing. Ask yours: "If this goes sideways, what does enforcing this cost me?" Watch what happens. The good ones will give you a number that makes you think twice. They know, better than anyone, that the best contract is the one you never need to use. They write "prevailing party" clauses because they've watched clients win the case and lose the war.

So no, I'm not careless about attorneys. I use them. I just don't confuse them with the deal. The deal is two people who keep their word. The attorney writes down what they promised. In that order.

Cash doesn't tell you any of this

Here's what cash tells you about a buyer: he has money. That's the whole report. It doesn't tell you if he'll pay on time. It doesn't tell you if he'll keep your team. It doesn't tell you if he'll answer the phone when something breaks at 2 a.m.

Now, cash matters. You have to pay fairly. I'm not telling you to take less from someone you like. But when you're evaluating a buyer, the check is the least informative thing on the table. Every serious buyer has money. What you need to know is what happens after the check clears. And cash can't tell you that. Only character can.

The buyer with cash and character and competency, that's the one. Not because cash doesn't matter, but because cash alone never protected anyone. The contract didn't save the deals that went bad. The person would have.

How you actually judge the person

You don't need a private investigator. You need attention.

Watch what they do when nothing's at stake. The buyer who returns your call in an hour before the deal will return it in an hour after the deal. The seller who volunteers the bad news before you ask is showing you who he is. People don't change when money moves. They reveal.

Talk to their people. Not the references they gave you. The ones you find yourself. Call a former employee. Call a customer. Ask one question: "What are they like when something goes wrong?" Anyone can be pleasant when things are going well. Character lives in the hard moments, and the people around them have seen those moments.

Check the track record. Not the pitch deck. The history. Who have they done deals with before? Would those people do another deal with them? A buyer who's done five handoffs and every seller still takes his call, that's not a promise, that's proof. A buyer with a great story and no history, that's a story, not a record.

And slow down when something feels off. The deal that has to close this week is the deal you should think about for a month. Urgency is information. The person pressuring you to hurry is showing you how they'll act when they have leverage. Believe them.

Your leverage isn't the lawsuit. It's the reference.

Here's what I want every seller to understand. The reason this system works isn't the contract. It's what comes after.

When a buyer does right by a seller, pays what was agreed, takes care of the people, keeps his word, that seller becomes his reference. His introduction. His proof to the next ten owners that he's the safe hands. The seller picks up the phone and says, "He did right by me. Talk to him." That's worth more than any broker, any listing, any deck. That's how the next handoff happens.

A buyer becomes the buyer owners call because he's a man of his word and follows through. That's not a nickname. That's a reputation, built one kept promise at a time, and it's the reason owners call him instead of the other way around. Every deal he honors is a deposit. Every deal he closes right is ten more deals walking in the door.

Flip it. The buyer who burns a seller doesn't just lose one relationship. He loses the reference. He loses the introductions. He loses the next ten handoffs he never hears about, because the owners talk to each other and his name doesn't come up, or it comes up the wrong way. In a world where every industry has maybe a few hundred owners who matter, that's a career-ending mistake dressed up as a short-term saving.

So the leverage a seller has was never the courtroom. It's the future. The buyer needs you after the deal more than he needed you during it. That's not a threat. That's the structure. Keep your word and the system rewards you, compounding. Break it and the system routes around you.

Bet on the leader. The numbers say it's a good bet.

Here's what I want you to hold onto while you read this. Chapter 6 showed you the data: seventy percent of Americans have confidence in small business. That's not sentiment. That's Gallup, and it's been true for decades.

Why? Because of the leader. People don't trust "small business" as an abstraction. They trust the owner behind the counter, the name on the truck, the person who shows up. The trust lives in the leader, and the leader earns it one kept promise at a time.

So when I tell you to bet on the person, on competence and character, on the word behind the paper, I'm not asking you to take a leap of faith. I'm asking you to take the bet the data already supports. Trusting a small business leader is a good bet. It's been a good bet for decades. This chapter is about the rare time it isn't, and what that costs, so you know exactly what you're protecting when you get it right.

This only works on old-school values

Let me name what all of this runs on, because it needs saying out loud. Old-school values. Honor.

I grew up where a handshake was the contract and your word was your bond. You said you'd do it, you did it. You didn't need it in writing because the writing was just catching up to what was already true. That wasn't naive. That was the system. And it worked because everybody knew the price of breaking it: your name. In a town of a thousand people, your name was all you had. You protected it like your life depended on it, because it did.

That's what these deals run on. Not the paper. The honor. The seller who tells the buyer the bad news before the good. The buyer who pays when it's due without being asked. The handshake that means something because the people shaking hands mean something.

I know how that sounds. Old-fashioned. Out of step. But look at the alternative: the world where nobody's word means anything and every deal needs six attorneys and a court date. That's not sophisticated. That's broken. The old way wasn't primitive. It was efficient. Trust was the infrastructure, and it was faster and cheaper than any legal system ever built.

This book is built for people who still operate that way, the ones building a family of companies, not counting deals. If your word is your bond, you'll do fine here. If it isn't, no chapter in this book, no structure, no contract, no plan, will save you. That's not a flaw in the system. That is the system.

The seller's question

Sellers, forget the spreadsheet for a minute. Ask yourself one thing: five years from now, when I drive past that building, am I proud of what's happening inside? Are my people still there? Are my customers still taken care of? Does my name still mean something?

The buyer who makes you say yes, that's your buyer. Not the biggest check. The one whose character means you never have to say "I'll see you in court."

The buyer's question

Buyers, when you walk into that first conversation, the seller is doing the same math on you. He's not just looking at your offer. He's looking at you, trying to figure out if you're someone he can trust with thirty years of work. Show him. Bring your last three sellers' phone numbers. Tell him what went wrong in your last deal and how you handled it. Let him see the person, not just the proposal.

The money gets you in the room. The person closes the deal. And the person is what keeps it from ever needing a courtroom.

On paper they're risky. On the same side of the table they're powerful.

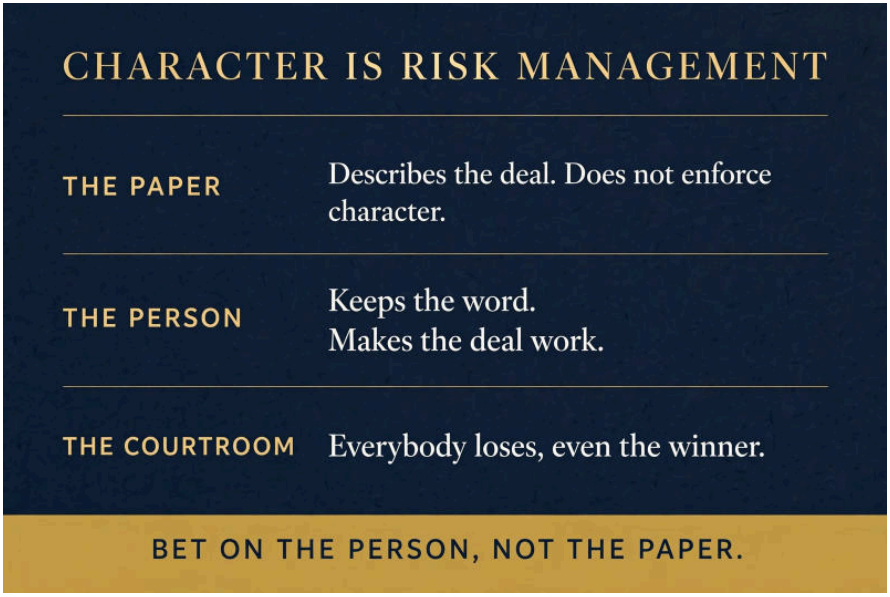
Here's the last thing, and it's the whole book. On paper, these deals are very risky. A lawyer looks at a seller carrying part of the price, at a handshake on the transition, at two people trusting each other with real money, and sees risk everywhere. He's not wrong. On paper, it's risky.

But put two people on the same side of the table, same goal, same direction, and they're powerful. Not risky. Powerful. The seller wants the business cared for and the price paid. The buyer wants the customers kept and the team strong. Those aren't competing interests. They're the same interest wearing two hats. When both people know that, the paper stops being the deal and starts being the receipt.

Win, win, win, win. Buyer wins. Seller wins. Employees win. Customers win. Four legs, one table, same side.

That's what the Shared Success Plan is, and it's coming. But first, three things. The next chapter is where the leadership in the plan came from, because the plan was never only a way to get paid. The one after it puts a measure on "the same side of the table," so both people know how they'll be judged before they sign. Then you see what the plan is the answer to. Everything after this, the structures, the financing, the playbook, assumes two people who keep their word. Get the person right and the contract is a formality. Get the person wrong and the contract is the most expensive lesson you'll ever buy.

Character isn't soft. It's the only protection that actually works. The plan is paper. The people are the deal.



Character is risk management.

CHAPTER 9

Everything Rises and Falls on Leadership

I've told you I'm a retired football coach. Here's what I haven't told you: where the leadership came from, because it didn't come from football. Football is where I practiced it.

I'm putting this chapter here on purpose, between the chapter on character and the chapter that puts a score on it. The Shared Success Plan has two sides. One side is money: the down payment, the share of revenue, the term, the buyer's test. The chapters after this one spend a long time on it, and they should. The other side is the two people, and the people side has rules too. Those rules did not come from a deal. They came from two men who wrote them down better than I ever could, John Maxwell and Jim Collins, and from a few football fields where I taught them to teenagers before I ever taught them to an owner.

The Metrodome

The first time I heard John Maxwell's teaching on leadership was at a Promise Keepers gathering at the Metrodome in Minneapolis. Promise Keepers was started in 1990 by Bill McCartney, who was the head football coach at Colorado at the time, and it filled stadiums with men talking about faith, keeping your word, taking care of your family, and being accountable to each other. For a guy who grew up where I did, a football coach preaching about promises made sense. I didn't need convincing. I needed the words for what I'd already seen.

One line of Maxwell's stuck, and it has never let go: everything rises and falls on leadership.

I went deeper. I became a certified John Maxwell coach, and I've been part of that organization for a long time. The program gave me resources

I used three ways. I used them on myself first. I used them to run leadership workshops for businesses, developing managers and the people who were going to be managers. And I used them with football teams, teaching teenagers what it means to be a teammate, from The 21 Irrefutable Laws of Leadership and from Maxwell's material on being a great teammate. I'm not going to teach you Maxwell's material in this book. It's his, and he teaches it better than I do. I'm telling you where I learned to think about leadership as the thing everything else rides on.

Head coach at twenty-five

I took my first head coaching job at twenty-five, at Regis High School in Eau Claire. I was building businesses at the same time, and I coached the way I ran the businesses: find the play that works and run it until they stop it. Chris O'Connell was on my staff at Regis. He went on to coach there for a long time and win four state championships, in 1992, 1993, 1999 and 2003, and in 2010 the Wisconsin Football Coaches Association put him in its Hall of Fame. Those are his championships, not mine, and I want that said plainly. I'm proud of my association with that program and prouder of the coaches and players who earned those titles.

More than a decade later, in a different season of life, I came back to coaching as head coach at Amherst. Two of my sons played there. One of them has a state championship ring. The youngest has three. Amherst won state in 2012, 2015, 2016 and 2017, and the coaches and kids who did that deserve the credit. I'll just say that football has been part of my family's life, not only my working life, and that I've watched a program built on the right things keep winning after the people who built it moved on. Hold that thought. It's the whole point of Chapter 10.

Bryce and the two hours every morning

Bryce Paup is a friend of mine. If you followed the NFL in the nineties you know the name: four Pro Bowls, and the league's Defensive Player of the Year in 1995 with the Bills. From 2007 to 2012 he was the head football

coach at Green Bay Southwest High School, and for part of that time I was his offensive coordinator.

Here is what we did there that I'm proudest of. Every morning in the summer, the players came in for two hours. We split the time three ways: weight training, speed training, and leadership training in a classroom. Bryce used the Maxwell resources I brought in, and we built the leadership part of that program together. We were not just trying to make stronger, faster football players. We were trying to make young men who could be responsible teammates and lead other people. I'm not going to tell you how many minutes went to each or what the classroom exercises were, because I'd be making it up at this distance. I'll tell you that the kids who came out of that program could run a huddle, and some of them can run a crew today.

The All-Star Game

In 2008 Chris O'Connell was named head coach of the North team in the Wisconsin High School All-Star Game, and he asked me to be on his staff. Bryce was on that staff too. Think about that for a second. Chris had been on my staff when I was the head coach. Now I had the privilege of being on his. I considered it one of the great honors of my coaching life, and it taught me something I've carried into every deal since: leadership isn't being in charge. It's relationships, it's developing people, it's honoring the people who helped you, and it's being glad when they pass you.

From the sideline to the table

I ran the same workshops for businesses that I ran for football teams, and the lessons kept turning out to be the ones I'd watched at my dad's kitchen table. Leadership is responsibility. Character is what makes people trust you. Keeping your promises is what makes the trust last. Developing other people is the job. And you can't measure your success by what you accomplished; you measure it by what happens to the people and the thing you built after you step away.

Two men gave me the words for that. Keep them apart in your head, because I do. Maxwell tells you how a person climbs. Collins tells you what the top looks like when you get there. The next chapter uses Collins's idea as the ladder for a seller and a buyer, and Maxwell's as the way you move up it.

Maxwell: how a person climbs

John Maxwell teaches that leadership comes in five levels, and that you earn each one with the people in front of you. He calls them Position, Permission, Production, People Development and Pinnacle. I'm not going to teach his book; it's his. But I've watched those five levels play out at the deal table so many times that I want you to see them there, because they explain why some buyers get the call and some never do.

Position is the title. A buyer with money has Position and nothing more. The seller owes him a meeting, not his trust.

Permission is when people follow you because they want to. In a deal, that's the first conversation and the open book. The seller decides in the first hour whether he'll let you in, and he decides it on how you listen, not on your number.

Production is results. In a deal, it's the business standing on its own after closing and the seller's payment clearing on the fifteenth of every month. Nobody believes a buyer's story until the first seller gets paid.

People Development is when your job becomes growing other leaders. In a roll-up that's the leadership team, the operators you kept, and the leader you acquired and promoted to run the next unit.

Pinnacle is a reputation that outlasts you. In a roll-up that's the buyer sellers call. That's Uncle Dave.

Two rules of Maxwell's travel with the levels, and they're the rules the next chapter runs on. You never skip a level. And the lower levels come with you: a buyer at the top still underwrites like a beginner and still does

the first conversation like a man who needs the seller's permission, because he does.

Collins: what the top looks like

In Good to Great, Jim Collins described what he called Level 5 leadership: personal humility and professional will in the same person. The people at the top of the companies that made the leap gave the credit away and took the blame themselves. And the mark that set them apart from the merely good leaders was this: they cared more about how the company did after they were gone than about how they looked while they were there. The Level 4 leader, in Collins's telling, quietly hoped the next person would stumble, so the record would show how much he mattered. The Level 5 leader set up his successor to win.

Collins wasn't writing about Main Street. But I have sat across the table from hundreds of owners, and I have never found a better description of the ones whose businesses outlived them. Chapter 10 takes that idea and does something with it nobody has: applies it to the owner who is leaving and the owner who is arriving, and gives them both a score.

What the plan asks of both people

The leadership side of the Shared Success Plan comes down to eight commitments. The seller makes them and the buyer makes them, the same eight, at the same table, and everything on the money side of the plan assumes them. Here they are, with what each one looks like in a real deal and where the next chapter's scorecard measures it.

The commitment	What it looks like in a deal	Where the scorecard measures it
Transparency and honest communication	Open book from the first conversation; a mutual NDA; the number agreed together on a screen share; bad news early	Seller: disclosure. Buyer: character
Looking out for one another	The buyer's test protects the seller's note; an agreed pause protects the buyer when the world stops; neither side gambles with the other's risk	Buyer: paying the seller. Seller: support while the note is paid
Keeping promises	Promised dates kept; the letter of intent treated as binding; the deal that closes is the deal that was offered	Buyer: offer integrity. Seller: deal integrity
Protecting customers and employees	Handshake arrangements written down; the account people kept; the name on the door where it belongs; vendors honored; the first ninety days run from the customer backwards	Buyer: stewardship. Seller: transferring the trust
Acting in good faith	Payments calculated honestly on collected revenue; no re-trading after the letter of intent; no shopping the deal; findings in diligence adjust terms instead of ambushing the price	Buyer: offer integrity and paying the seller. Seller: deal integrity
Helping each other succeed	The seller introduces the top accounts and trains his replacement; the buyer uses the seller's knowledge and keeps him in the room for ninety days, checked every thirty	Buyer: the handoff. Seller: showing up

Thinking long term	Stretch the term before starving the business; reinvest; build the platform; hold, don't flip	Buyer: the business after close
Honoring the responsibilities of business succession	The seller's last job is the handoff; the buyer's is to hand it on someday to somebody as good or better, the same way	Both: the five-year question

Read the eight again from the seller's chair and notice something. Not one of them costs money. Every one of them costs something harder: a promise kept when it would be easier not to. That is why I put leadership ahead of the arithmetic. The arithmetic in the chapters that follow is sound, and I'll show you every piece of it. But it was built for two people who keep their word, and it does not work for anybody else.

So when the next chapter measures a seller by what happens to the business after he leaves, and a buyer by what the last seller says about him, understand that I didn't get that from a deal. I got it from a fire phone, a Promise Keepers stadium, and years of standing in front of teenagers telling them Maxwell's line, that everything rises and falls on leadership. The deals just proved it.

CHAPTER 10

On the Same Side of the Table

Walt landed one of the largest insurance carriers in the country as an account more than thirty years ago and sold them mission-critical business services from then on. He built his company on accounts like that one, and eight years ago he sold the company. The carrier is still a customer of the company that bought him. Same account, a different owner behind the desk, and the relationship Walt started is still paying people.

Think about what that means. Walt has been out of the business for eight years. The customer he won three decades ago never left, and the people who do that work still have their jobs. Nobody measures a sale that way. We measure the check. Walt measured the account, and he was right to.

That is what the roll-up looks like when it is executed properly. The buyer got a company with a thirty-year account in it. Walt got paid. The people kept their jobs. The customer never noticed anything but where the check goes. Four wins, the four legs of the table from Chapter 8, and Walt is what they look like eight years later.

That is the whole chapter, if you want it in one sentence: a seller is measured by how the business does after he leaves, and a buyer is measured by what the last seller says about him. The rest of this chapter is how to put a number on both.

Collins, applied

Chapter 9 introduced Jim Collins and his Level 5 leader: humble about himself, relentless about the business, and judged by what happens after he leaves. If that is all you carry from that chapter into this one, it is enough. Collins was not writing about Main Street. I still have not found a better description of the owners whose businesses outlived them.

Michael Gerber, in The E-Myth, said the other half. A business that only runs when the owner is in the room is not a business, it is a job. Working on the business instead of in it is step one of having something to hand off at all.

Our piece is the application. What does Level 5 look like in a sale? What does it look like in the ninety days after? And how do two people who have never done a deal together hold each other to it? That last question is the one nobody has answered, and it is the one this chapter is for.

The Level 5 seller

A Level 5 seller measures success by how the business does after he leaves, not by the size of the check. Here is the ladder, from the bottom up.

Level	The seller	What it looks like	What it does to the sale
1	The Operator	Does the work himself. The business is him.	Sells at a discount, or not at all
2	The Team Player	Has employees, but holds every key relationship and decision.	Hard to transfer
3	The Manager	Built systems and a team that runs the day to day.	Transferable
4	The Driver	Grew it and hit the numbers. Wants top dollar and a clean exit. The outcome is about him.	A good sale and a fragile handoff
5	The Legacy Seller	Humble about himself, fierce about the business. Picks the right buyer, not the highest bid. Stays to hand over the trust, then steps away.	The earnings transfer, and the business lasts for decades

Most of this book has been about getting from Level 1 to Level 3, because that is what makes a company worth buying. Chapter 28 is about getting

to Level 4, because that is what makes a company worth a premium. This chapter is about the last step, and it has nothing to do with the numbers.

How a seller moves up the ladder is Maxwell's part of Chapter 9: one level at a time, earned with the people in front of you, never skipped. An Operator becomes a Team Player by writing the first process and naming the one person who could take more. A Team Player becomes a Manager when three key customers have met his successor and he can be away for two weeks without the phone ringing. A Manager becomes a Driver when he can say what he wants after the sale, in order, and what would make him say no. And a Driver becomes a Legacy Seller the day he picks the buyer by competence and character before price, and agrees how he will be measured before he signs.

Here is the challenge to sellers, and I say it to every one of them. Your job is not done at closing. For ninety days, the success of this business is still on you. And if you are carrying part of the price, which in my plans you are, it stays on you until the last payment clears. You are not handing over keys. You are handing over trust, one customer and one employee at a time, and trust does not move by itself.

Be honest about the hard part. Letting go is emotional. I have watched sellers grieve a little, standing in a parking lot they have pulled into every morning for twenty years. Saying so out loud, to the buyer and to yourself, is not weakness. It is the first honest conversation of the transition, and it builds the trust the rest of it runs on.

Buyers, pay attention to this ladder, because a Level 5 seller is worth paying more for. Not because he is a nice man. Because with him the trust actually transfers, and the earnings go where the trust goes. A Level 4 seller with the same numbers is a worse deal at the same price.

The Level 5 buyer

A Level 5 buyer is a steward. The owners he bought from are proud they sold to him, and they send other owners his way. Same ladder, other chair.

Level	The buyer	What it looks like
1	The Bargain Hunter	Wants a cheap deal. Sees the seller as an obstacle.
2	The Financial Buyer	Buys a spreadsheet. Cuts people and costs first, asks questions later.
3	The Operator	Can run it, but changes everything at once and loses the culture.
4	The Builder	Grows the business well, but the seller's legacy is an afterthought.
5	The Steward	Pays a fair price, honors what was built, keeps the people, grows it, and pays the seller every dollar owed.

If you read Chapter 4, you have already met the Level 5 buyer. He is Uncle Dave: the owner down the road who already runs a business like yours, who can take care of your customers as well as you did or better, and who will still be there in five years. "Find your Uncle Dave" is the Level 5 buyer in story form. This chapter just gives him a score.

The buyer climbs the same way, and nobody declares his own level; the scorecard later in this chapter computes it, deal by deal. A Bargain Hunter moves up with one term-sheet email that starts with how we got there instead of with the number. A Financial Buyer moves up with one deal closed with the key people kept and the customers intact at ninety days. An Operator moves up with two integrations where retention held and a leader promoted from a company he bought. A Builder becomes a Steward with three clean handoffs, each scored four or better by its seller. And a Steward stays one only by conduct. The lower levels come with him, the way Maxwell says they do, and a re-trade or a late payment on any deal drops him.

The seller vets the buyer

The usual script has the buyer vetting the seller. Diligence, in the way most people use the word, means the buyer checking the seller's numbers. In this system the seller vets the buyer first. A Level 5 seller asks one question before he asks about price: who is going to take care of my people, my customers and my name? That is Collins' "first who, then what" applied to the sale itself. The right buyer before the right price.

Here is why that matters more in a roll-up than anywhere else. In a roll-up, your reputation with the owners you have already bought from is your deal flow. Owners talk to owners. Every seller you treated well becomes an evangelist. "Talk to him, he did right by me" is worth more than any marketing you will ever do. Every seller you burned warns ten others, and you will never know which ten. Happy sellers are to a roll-up buyer what happy customers are to a business.

Three things follow from that, and all three show up in the deals I structure.

The first is a buyer résumé, the mirror of the Business Résumé in Chapter 28: the buyer's track record, his values, how he is financing the deal, and what he plans for the team. If you are the seller, ask for it. If you are the buyer, write it before you are asked.

The second is seller references. A serious buyer can say, "Call the last three owners I bought from." Very few can, and the ones who can stand out from every other buyer in the room.

The third is a two-way covenant, which is the rest of this chapter. The seller commits to transferring the trust. The buyer commits to honoring what was built. And both of them agree, before they sign, how they will be measured.

The scorecard

Chapter 8 said the one thing that protects you in a Main Street deal is the person across the table, and that your leverage is not the lawsuit, it is the reference. This is the reference, written down before the deal instead of muttered after it.

It is a scorecard for the two people, not for the business. The Business Valuation Playbook in Chapter 27 measures the company. This measures the character and conduct of the seller and the buyer, and every line is defined so that a five means the same thing to everyone who reads it.

Start with the buyer, because the seller is also a lender. In my plans the seller carries part of the price, so his rating of the buyer works like a credit report and a character reference at the same time.

What is being judged	The question	A five looks like	A one looks like
Offer integrity	Did the deal that closed match the deal that was offered?	Closed on the letter of intent, on time, nothing re-traded	Price or terms re-traded late, or walked away
Closeability	Could he actually do what he offered?	Funds and financing ready, and a record of offers that close	Financing fell apart, or delays put the deal at risk
Paying the seller	Did he pay what he owed, when he owed it?	Every payment on time; every performance payment calculated honestly and paid in full	Late or missed payments, disputes in bad faith, surprise requests to restructure
Stewardship	How did he treat what the seller built?	Kept the key people, kept the customers, honored the seller's name	Cleaned house, lost customers, disrespected the legacy
The handoff	How did he work with the seller during the transition?	Used the seller's knowledge, communicated, respected the seller's role	Shut the seller out or ignored the handoff plan
The business after close	Did the business hold up? This one protects the seller's note.	Revenue and profit held or grew	A decline driven by the buyer's decisions
Character	How did he act under pressure?	Honest, kept his word, told the truth when it was hard	Misled, blamed others, broke promises

Offer integrity and paying the seller carry the most weight, and a buyer who re-trades the price or pays late can never score a five, however well he runs the business. The bottom line is one question: would you sell to him again?

Now the seller. The categories mirror the buyer's: honest books, a real handoff, and staying a partner while the note is paid.

What is being judged	The question	A five looks like	A one looks like
Disclosure	Was the business what the seller said it was?	Clean, honest financials; the problems disclosed up front	Hidden liabilities, inflated numbers, surprises after close
Deal integrity	Did the seller honor the terms he agreed to?	Stuck to the letter of intent; no shopping the deal, no late demands	Re-opened the terms, stalled, or backed out
Transferring the trust	Did he hand over the customers, the employees and the vendors?	Personal introductions; the relationships moved to the new owner	The relationships stayed with the seller; key people or customers walked
Showing up	Did he show up for the ninety days?	Present, teaching, available, and stepped back on schedule	Checked out early, or would not let go
Support while the note is paid	Did he stay a partner after the handoff?	Answers the phone, protects the reputation, does not compete or recruit the staff	Undermined the new owner, competed, or poached people
Character	How did he act under pressure?	Owned the weaknesses, credited the team, kept his word	Blamed others, misled, broke promises

Disclosure and transferring the trust carry the most weight. The bottom line for the seller is the same question turned around: would you buy from him again?

> **From the book to the tools · The Scorecard**
>
> The two tables from Chapter 10 as a sheet to print and fill in: the seller rates the buyer, the buyer rates the seller.
>
> growthroughacquisitions.com/tools/scorecard

Why the buyer's score follows him, and the seller's follows the business

Here is something I had to think about for a long time, and I want to be straight with you about it. Most sellers sell once. A seller's rating has no next deal to follow him to. So why would a seller care about a score?

The answer is that the two scores do different jobs, and the chapter is honest about that.

The buyer is rated because he will do this again. His score is his deal flow. A buyer who can show that nine of the last ten owners he bought from would sell to him again gets the first call on the next company in his industry, and better terms when he gets there. A buyer whose score drops finds that owners in that industry have heard about it before he has. That is the enforcement, and it is stronger than any clause.

The seller is rated because he said he would. The seller's score is the covenant he made at the letter of intent, written down so that the thirty-day check-ins have something to check against. His real stakes were never a number. They are the note getting paid, the business outliving him, and his name among the other owners in town, who will ask him how it went. The score just makes those stakes visible on the day they are easiest to forget, which is the day after closing.

There is one exception, and in a roll-up it is a big one. Some sellers do not sell once. They stay on under the separate agreement in Chapter 14, they become a standby successor for another owner, or they join the buyer's platform as a partner. Those people are selling or partnering more than once, and their record follows them exactly the way the buyer's does. If that is you, your seller score is a credential. Earn it.

When the scoring happens

Scoring is not one event at the end. It runs the length of the deal, and the first step is the one that does most of the work.

At the letter of intent, both sides read the scorecard and sign it. Nothing is scored yet. They are agreeing to the standard. The point is that each person knows how he will be measured before he signs, and a person who knows how he will be measured acts like it. "Know how you will be rated before you sign, and you will act like it" is the best piece of deal advice I can give you, and it costs nothing.

At closing, the first scores go in: offer integrity and closeability for the buyer, disclosure and deal integrity for the seller. Those four are already decided by closing day, so score them while they are fresh.

After the ninety days, the transition lines are scored: transferring the trust and showing up for the seller, stewardship and the handoff for the buyer.

Over the life of the note, the last two lines keep scoring: paying the seller, and support while the note is paid. The buyer's score goes up a notch every time a payment clears on time. The seller's goes up every time he answers the phone instead of competing.

The ninety days, checked every thirty

Chapter 14 covers the mechanics of the transition and Chapter 26 is the buyer's first ninety days, so I will not repeat them. What this chapter adds is the check-in.

Every thirty days for the ninety, the seller and the buyer sit down with the scorecard between them and talk about it honestly. Not a performance review. A coaching session, both directions. "I do not think we are at a five on the handoff. What do we need to fix?" The buyer says where the seller has gone quiet. The seller says where the buyer has stopped

listening. They fix it that week instead of discovering it at day ninety, when the official scores go in and there is nothing left to do but argue.

That is why the system works. It turns the rating from a threat into a shared goal. From the first day, either person can say, "I want to be a five, and if I am not, let us talk about it." It gives both of them permission to raise a problem while it is small. Most transitions do not fail on a big problem. They fail on a small one that nobody felt allowed to mention.

The seller's commitments for the ninety days are the ones in his column: honest books, personal introductions, real time and real presence, and stepping back on schedule. The buyer's are the ones in his: use the seller's knowledge, keep the key people, communicate, and honor what was built. Print the two columns, put them on the wall of the office they are sharing for ninety days, and check them every thirty.

What keeps the score honest

A score that can cost someone a deal has to be a score people trust. Three rules do that.

Only closed, verified deals can leave a score. No fake reviews, no scores from a deal that never happened, no scores from a cousin.

Both sides submit their scores before either sees the other's. The home-rental sites figured this out years ago: if you can see what they said about you before you say what you think of them, every score becomes retaliation. Simultaneous posting takes the retaliation out.

And there is a way to contest a score. A bad score can cost a buyer his next deal, so a buyer who believes he was scored unfairly needs somewhere to say so and someone to decide. The dispute itself goes on the record, which is its own kind of honesty.

The headline number, the one that goes at the top of a buyer's profile, is the only one that matters to the next seller: did the last sellers walk away

proud? "Nine of ten sellers would sell to him again" tells an owner more than any brochure.

The standby successor

There is one more place this scorecard matters, and it is the one nobody plans for. An owner dies, or has a stroke, and the family is left with a business none of them can run. Within months it is worth a fraction of what it was, and the people who worked there are out looking.

The fix is older than I am and almost nobody on Main Street uses it: a buy-sell agreement between two owners who are not partners. The owner lines up another owner he trusts, quietly and in advance, who has the right and the plan to step in and buy the business if the owner dies or is disabled. The price or the valuation formula is set ahead of time. It is usually funded with life insurance, so the family is paid in full right away and the standby owner is not scrambling for financing in the worst month of their lives.

Three things make it work. Put it in writing properly, with an attorney, a valuation method and the funding; a handshake will not hold up with an estate, and I am not giving you legal advice, I am telling you what I have watched. Keep it quiet but not secret: the market does not need to know, but the spouse, the estate attorney and perhaps one key employee must, or the family may fight it at the worst possible time. And revisit the valuation every year or two so it stays fair to both sides.

Now look at who you would trust with that. You would want the Level 5 buyer. The one with the score. The one the last three sellers would sell to again. That is where a public, honest rating of buyers earns its keep: an owner choosing a standby successor is trusting someone with his family's future, and a score is the only thing that lets him check that trust before he needs it.

The finish line is five years out

The scorecard has a last line, and it is not scored at day ninety. It is scored five years later, by both people, and it is one question: can we both say we shared the risk, we shared the success, and we did the best we could with what we had?

It does not require a perfect outcome. Businesses have bad years that nobody caused. It measures whether both people kept their word and carried their share when it got hard. That is the Shared Success Plan in one sentence, and it is why I never use the Wall Street word for it. Nobody shares anything on Wall Street.

Walt can answer that question. So can the people who bought from him, and so could the carrier if anybody asked, because they are still there. That is what being on the same side of the table looks like eight years later, and it is the only score I have ever cared about.

CHAPTER 11

Why Most Main Street Deals Never Happen

The plan is paper, the people are the deal, and the plan is coming. This is the plan's origin story. Before I show you the better way, you need to see what it's the answer to. Because the Shared Success Plan wasn't invented in a classroom. It was built in the wreckage of the old system, one dead deal at a time.

If the deal you want keeps dying at the bank, that is not your fault. If you're the seller, the advice you've been given about selling your company, most of it from people who have never sold one, is the reason so many businesses like yours never change hands. The old system was built for big companies with hard assets and clean audited books. It was never built for Main Street. Once you see that, you stop blaming yourself and start looking for a better way. There is one, and it's the rest of this part of the book.

The deal that taught me

I bought a company in 2006. I did it the way everybody tells you to do it. I had my attorney, my accountant and my banker, and all of us were excited. The bank financed it.

Here's what I understand now that I didn't understand then. The business did not cover that loan. It was not a stand-alone investment on its own, and most small businesses aren't. The only reason I got the loan is that I had assets to cover it. I pledged an investment property against it. Just because you can get a bank loan doesn't mean you should.

Then 2008 came. Customers went away. I had leases and bank debt and all kinds of obligations to unwind, and for a while nobody even knew we were in a recession, so the bank kept giving me more money to cover

things. I looked that property up on Zillow not long ago. It's worth over five hundred thousand dollars today. It would be paid off. It would be throwing off cash every month. That's what a bank loan on a business that couldn't carry it cost me, plus years of UCC filings and personal guarantees that put limits on my life long after the business was gone.

I'm not telling you that so you feel sorry for me. I'm telling you because the pain from that deal is why I built the Shared Success Plan, and because the experience has let me help a lot of other owners avoid the same thing. There is a better way. I've added hundreds of companies to the family the better way since.

And it's why I keep saying Main Street is not Wall Street: when their deal goes bad somebody gets a parachute, and when ours goes bad somebody loses a house. So Main Street deals have to be done differently. It cannot be a big loan with your house behind it in case something happens. That's not a business plan. That's a bet, and you're betting the thing your family lives in.

Why most businesses never sell

Chapter 5 gave you the research: up to eighty percent of the businesses that go to market never sell, and the pros who do this for a living close about half of theirs. Same market, wildly different results, and where you land comes down to preparation, pricing, and who represents you. But the headline is honest either way: most businesses that get listed never sell.



How many listed businesses sell, by source.

And here's the number nobody can give you. Those statistics only count the businesses that went to market. They don't count the owners who never tried. The ones who looked at the process, looked at the odds, and just closed the doors. Sold the equipment. Listed the building. Walked away from thirty years of work without ever finding out what it was worth. Nobody tracks them because they never entered the system. But every owner who's been around knows they're out there, and knows there are more of them than the ones who listed and failed.

The listed ones are the visible failure. The ones who never tried are the invisible one. And it's bigger.

And there's a third group nobody talks about. The ones who did "sell," to the kids or to the employees, because it was the right thing to do.

How many kids take over the family business not because they want it, but because they'd feel guilty saying no? They're working for somebody else, building their own life, and suddenly they're handed a company they never asked for. They do it out of obligation. And obligation is a terrible

business plan. They don't have the passion, they don't have the drive, and in five years the business is half what it was, not because they're bad people, but because they were never supposed to be there.

Same with employees. The loyal manager who's been there twenty years. The owner feels he owes him. So he sells it to him, or worse, practically gives it to him, because it's the right thing to do. But loyalty isn't competency. Being a great employee and running a company are two different jobs. And now the owner gets to watch someone he cares about struggle with something they were never built for, carrying debt they can't handle, while the business slowly dies anyway.

I'm not saying family succession never works. Sometimes the kid wants it, has the fire, and it's the best outcome. Sometimes the employee is a natural operator. But "it's the right thing to do" is not a strategy. It's guilt wearing a business suit. And it destroys more companies than any bad buyer ever has.

That's why you find your Uncle Dave. Not the person who feels obligated. The person who wants it, who's built for it, who's already doing it somewhere else and can plug your company into something stronger. The kids get their inheritance. The employees get a better company to work for. Everybody wins, because nobody did it out of guilt.

What I've watched happen, over and over, to good companies, is this:

The buyer can't get financed. Most of the businesses I work with are service businesses. The accounts are the asset: billing companies, transcription, medical coding, testing labs, accounting practices. A bank looks at a company like that and sees nothing to repossess. So the bank finances the buyer's house instead, if the buyer has one.

The seller won't carry. The owner has been told by everybody around him that if he takes payments over time he'll get burned. So he wants all cash, and all cash on a business without hard assets means the bank, and the bank means the buyer's house, and now we're back where we started.

The advisors say no before they ask a question. When a seller says, I want to take some of the price as monthly payments over several years, most attorneys and accountants advise against it on the spot. They don't ask who the buyer is. They don't ask how strong the buyer is, what the terms are, what the protections are, or how the payments are calculated. They just say, you'll get screwed. It happens all the time. They're tax people and contract people. They are not, for the most part, people who have sold a business.

The listing expires. The business sits on a listing site for a year at a price that was never going to work with financing that was never going to come. The owner gets tired. He keeps running it until he's sick, or burned out, or gone. And then the doors close, and the employees scatter, and the customers scramble, and the family gets nothing for thirty years of work.

Not because the business wasn't valuable. Because the system for transferring it was never built for a business that size.

I'll add one more thing, because sellers need to hear it. The deals are not too small for brokers. The problem is what happens when a buyer says the words "I'd like to structure some of this over time." Most brokers hear that and say, see you later. What they're looking for is a buyer with a house to put up against it. That's not a knock on brokers. It's a description of the system they work in. The system wants collateral. Main Street businesses, the good ones, are made of people and relationships, and you cannot put a lien on a relationship.

What the bank is actually financing

Here's the thing nobody says out loud. When a bank, with or without a government guarantee behind it, finances a smaller business, in my experience it is rarely financing the business. It is financing the buyer.

The bank wants hard assets. Real estate. Equipment. Your house. If the buyer has those, the loan gets done. If the buyer doesn't, it doesn't matter how good the business is. A service company with strong accounts, a great team and twenty years of relationships has nothing a bank can take

back, so the bank looks past the business and straight at the buyer's balance sheet.

That's why I got my loan in 2006. Not because the business could carry it. It couldn't. Because I had assets to pledge. And when the business couldn't carry it, the assets went.

Government-guaranteed loans are the loans banks don't want to make on their own. They're the highest-risk loans in the building. Building a whole market on them is building on the loans nobody wanted. So when someone tells you, just get a bank loan with a guarantee behind it, understand what they're telling you. They're telling you to put up your house against a business that the bank itself wouldn't lend on alone.

The six months that broke everyone's heart

I represented a seller a while back. Great company. We had a buyer, a woman-owned company, who wanted it badly and who my sellers wanted to sell to. She went the guaranteed-loan route.

We were in the exclusivity period. Ninety days. The approval didn't come. My sellers extended exclusivity, which is a real gift in a deal like that. We went to six months. Still no approval.

At the six-month mark my sellers called me. Brian, we really want to sell it to her, but she doesn't have the approval yet. Let's talk to some of the other people. She can keep working on it, but we want to take the exclusivity off.

So we did. Within a few days we had another good offer, and they accepted it. Forty-eight hours after that acceptance, her loan was approved.

Six months of work. A buyer everybody liked. Gone by two days. It worked out fine for my sellers. Everybody still felt terrible. That's what I mean when I say I'm not big on it.

Why it can't work for a roll-up

Even when a loan closes, it's the wrong tool for the strategy in this book. A roll-up is a series of deals. A financing process that takes six months, requires personal guarantees, and can be pulled at the last minute is a process you cannot repeat five times. Four reasons.

Time. A roll-up is a rhythm. A two-million-dollar company can take on roughly a million dollars of acquisitions a year, year after year, if the deals are structured right. You cannot run that rhythm through a process that takes six months per deal and might not close.

The personal guarantee. Every loan comes with your signature on your life. One deal, maybe you can live with it. Five deals, and you have five sets of guarantees and UCC filings stacked on top of each other. One bad year in one business and the whole stack comes down on your house.

Rigid payments. A bank payment is the same number every month whether the business had a great month or a terrible one. Businesses are not like that. Payments that don't move with the business are what break buyers.

Collateral doesn't exist. The businesses worth rolling up are the ones made of accounts, people and relationships. That is exactly what banks can't lend on.

And here is the part that should bother sellers most. Every dollar of interest on that loan goes to the bank. The seller who is willing to carry part of the price gets that money instead. I'll show the math in the next chapter, but the short version is that a seller who carries the note earns like a bank earns, and the buyer gets a partner instead of a lender.

Two kinds of buyers Sellers, I want you to flip something in your head.

The buyer who shows up with a bank loan and no skin of his own in the structure is not automatically the strong buyer. The bank is strong. He's borrowing its strength, and he's betting his house to do it. If the business

hits a rough patch in year two, he has no room. The bank still wants its payment.

The buyer who says, I'd like to put a meaningful amount down and pay the rest from a share of the revenue we collect, is telling you two things. He understands that the business has to carry the deal. And he's willing to let his payments to you rise and fall with the business, which means he is planning to run it well, because that's the only way he gets to keep it.

That's competence and character, and you can see both before a dollar changes hands. The competence is in the structure: he knows the business has to carry it. The character is in the offer: he's tying his payments to the business doing well, which is the same as tying them to your customers being taken care of.

Not every seller-carried deal is a good one. Chapter 14 is about how to check the buyer before you sell to him. But the willingness to structure it is a sign of strength, not weakness.

If you're not willing to finance it

Here is the question I put to every seller, and it's unpopular with a lot of advisors.

If you're not willing to finance your own business, why should a bank or anybody else be willing to?

You know the business. You know the customers, the cash flow, what it takes to run it and pay everybody. You know better than any underwriter whether it can support payments. If the honest answer is that it can't, then the problem isn't financing. The problem is the business, and the Business Valuation Playbook, in the toolkit at growthroughacquisitions.com, is where you fix that, years before you sell.

If the honest answer is that it can, then carrying part of the price is the single most powerful thing you can do to get full value for it. It changes the whole conversation with a buyer. A seller who stands behind his own

company is a completely different seller to negotiate with, and I say that having sat on both sides of the table, on the same side of the table with buyers who became partners instead of opponents.

Banks still have a place

I'm not anti-bank. If a buyer wants to use a bank, great. When the seller carries a good part of the price and the deal is stretched over enough years, there is often plenty of equity and cash flow for the SBA or other lenders to finance the down payment, because now the bank is lending into a deal with a lot of cushion. That's the right role for a lender in a Main Street deal: a piece of it, on terms the business can carry, not the whole thing on the buyer's house.

And if there is real estate in the deal, that changes things. A building can be financed the normal way, and often should be. Chapter 13 has a sale where financing the building is what lets the buyer put most of the price down, with the rest carried as a Shared Success Plan.

The point is not to avoid banks. The point is to stop making the bank the only way a Main Street business can change hands. It never had to be that way. Two business owners can sit down, agree on what a company is worth, and agree on how it gets paid for, without anybody's permission. That's the last frontier of real free enterprise.

The thirty-second test

Here's how I know a deal is built right. The seller can explain it in thirty seconds, and any intelligent advisor who hears it says, that's actually really smart.

It sounds like this. We sold for one point two million. They put two hundred forty thousand down. The rest is paid monthly as a percentage of the revenue they collect, for six years. They pay on the fifteenth, thirty days after the month closes, so the money has come in before it goes out.

The payments come out of profit, never out of operating capital. If they ever resell the business, the balance is paid in full.

If your seller can say that, and your advisor still says no without asking a question, get a different advisor.

If your deal can't be said that simply, it isn't built yet.

> **From the book to the tools · The Thirty-Second Version**
> Say your deal in thirty seconds, and the test for any advisor who says no.
> growthroughacquisitions.com/tools/thirty-seconds

If you're a buyer, read this chapter again

Everything above was about the seller's problem. Now here's what it means for you.

Every business that lists and doesn't sell is a team waiting for someone to hire them all at once. Every owner who closes the doors without trying is a customer base about to scatter. Every kid who takes over from guilt and runs it into the ground is a company that'll be available again in three years, worth half what it is today. Every loyal employee handed a business he can't run is a future distressed seller.

That's not tragedy. That's inventory.

You're not competing with a hundred buyers for these companies. Most buyers don't know they exist. The brokers gave up on them. The banks won't touch them. The kids don't want them. They're sitting there, trained teams, loyal customers, decades of reputation, waiting for someone competent to walk in and say, "I'll take the handoff."

You don't need to post a job listing and pray. You don't need to spend a year recruiting one technician. You buy the company and you get the team, the customers, the reputation, all of it, on day one. That's what Chapters 5 and 6 were about. This chapter is about why there's so much of it available, and why nobody's picking it up.

The sellers are stuck. You're not. That's the opportunity. Every failed listing, every quiet closing, every guilt handoff: that's your pipeline. Go find them before someone else does.

This is your moment. Move.

Let me put the whole thing in front of you, because I don't want you to miss it.

Most businesses that go to market never sell; that's research, not my opinion. Behind that number, there's a bigger one nobody can count: the owners who never even tried. They just closed. And behind that, the ones who handed it to the kids from guilt and watched it die slow.

Millions of businesses. Millions of trained teams. Millions of loyal customers. Sitting there. Right now. In your industry, in your market, within driving distance of your office.

And almost nobody is going after them. The brokers gave up. The banks can't do it. The private equity firms are too big to bother. The kids don't want it. You're competing with almost no one for the best acquisition targets that have ever existed in the history of American small business.

This book is the framework. Chapter 4 showed you how to approach the seller. Chapter 12 is the Shared Success Plan: the structure that makes the deal work. Part Four walks you through every step from first conversation to first ninety days. The Business Valuation Playbook at growthroughacquisitions.com shows you how to value what you're buying and make it worth more. It's all here. The math, the structure, the scripts, the pitfalls. Twenty-five years of deals, written down so you don't have to learn it the hard way.

The opportunity is the largest transfer of business ownership this country has ever seen. The competition is almost nonexistent. The framework is in your hands.

The only question is whether you move.

Two years from now, someone in your industry will have bought three companies, doubled their revenue, and built the platform everyone wishes they'd built. It can be you. The sellers are waiting. The teams are waiting. The customers are waiting.

Go.

Where this goes

The rest of Part Two is the better way. Chapter 12 is the Shared Success Plan itself, what it is, where it came from, and the math, so you can see for yourself that it's not a favor to anybody, it's a structure that stands on its own. Chapter 13 is my deals, with the names taken off. Chapter 14 is everything the plan does that has nothing to do with money, which is most of it. Chapter 15 is the deals that went wrong or nearly did, including the one where somebody talked the buyer out of the plan and it cost her dearly. Chapter 16 is what ten years of this adds up to.

One more thing before we go there. Nothing in this part of the book is legal advice or tax advice. I'm not a lawyer and I'm not a CPA. I'm a guy who has done hundreds of these deals and figured out the pattern. Your attorney and your accountant paper the deal. This is so that when you sit down with them, you already know what you're building.

Now the plan. The people are the deal. This is the paper that serves the people. Take the handoff, structure it so the business carries it, and everybody wins.



Two owners. No permission needed.

CHAPTER 12

The Shared Success Plan

Chapter 11 showed you the old system and why it fails Main Street. The bank wants your house. The advisors say no before they ask a question. Good businesses sit on listing sites until the owner gives up.

This is the better way. It was built as the answer to everything in Chapter 11, one dead deal at a time.

If you're the buyer, this is the structure that lets you buy a running business with its team and customers, on terms the business can carry, without betting your house.

If you're the seller, this is how you get paid fairly, often more in total than a cash sale, while the people and the customers you spent your life on are handed to someone who can take care of them.

Why it matters to both of you: the Shared Success Plan is the first thing in this book where the buyer and the seller are on the same side of the table by design. It is not a favor either side does for the other. It's arithmetic. When both of you can see the same numbers and they work, you stop negotiating against each other and start building the deal together.

People first

People own businesses. Businesses don't own people.

I've spent years involved in business transactions, and one thing has always concerned me: how easily we separate a business from the people who built it.

We talk about EBITDA, assets, liabilities, valuations, agreements, and closing dates. And we should. All of those things matter.

But a business isn't simply a collection of numbers.

Someone built it. Someone took the risks. Someone sacrificed time with their family. Employees depended on it. Customers trusted it.

And when that business changes hands, those people don't suddenly disappear.

That's why the Shared Success Plan begins with people.

The financial and legal agreements must be right, but their purpose is to help people fulfill their commitments and succeed together.

I want the buyer and seller to look back five years later and both be genuinely glad they completed the transaction.

I want the business to be stronger, the employees and customers to have been treated responsibly, and the next generation to have an opportunity to build upon what the previous generation created.

Because transferring ownership is not simply about completing a transaction.

It's about continuing a legacy.

What it is, in one breath

A Shared Success Plan is an agreement between the person selling a business and the person buying it that the seller will be paid over time from a share of the revenue the business collects.

Some money at closing. The rest as a percentage of gross revenue actually collected, paid monthly, for an agreed number of years or until an agreed total is reached. A transition where the seller helps hand over the customers and the team. Simple protections for both sides in plain language.

That's it. You can understand it in five seconds. That is the point.

Why I never use the Wall Street word

People who know Wall Street deals will say, that's just an earn-out. Technically, some of those look a little like this. Not many. And I never use the word, for two reasons.

First, the word itself. "Earn" makes it sound like you have to keep working after you sold the company. Terrible name. "Shared success" says what actually happens: I'm going to share the success of the company you built with you, going forward.

Second, what those Wall Street structures are usually measured on. Most of them pay on net profit or some metric that takes an MBA to decipher. I've received offers over the years where I could sit there half the afternoon and still not be sure what the calculation would really pay. And net profit can be moved. Expenses go up, accounting changes, and the seller's payout goes down.

Gross revenue can't be moved. A seller should never sell based on future profitability, because he has no control over expenses once he's gone. He knows revenue, because it's his business and his customers. Every month there's a report of what was collected, customer by customer, the negotiated percentage, and a check. Nothing to argue about.

Where it came from

I didn't invent this in a classroom. I built it because of the deal in Chapter 11 and because of years of watching what actually works between two business owners who trust each other.

My real expertise is smaller service businesses, the kind where the accounts are what's valuable: billing companies, transcription, medical coding, testing labs, accounting practices. Most of them are not bankable. Banks won't finance them, and the standard seller note, a fixed payment every month no matter what, is risky for everybody. What I found is that the deals that held up were the ones where the seller shared in the success

going forward and shared a little of the risk if something went away, and in return got paid, and usually got paid more.

It's also the last frontier of doing deals belly to belly. No title company. No permission. Two owners, a piece of paper that says who's doing what, and as much or as little formality as they choose to add.

Success and succession

The reason I sometimes say "shared succession" is that most owners have no plan for who takes over, and this is one.

A Shared Success Plan is a real, live succession, with somebody who is actually going to succeed you. The customers, the employees, the relationships transfer to a buyer who can run the business as good or better than you did. You help make that happen, because you're the only one who can. The seller is the only person in the whole deal who is in a position to transition it and make the whole thing go. Smaller businesses are personal. People buy from them because they can reach a human being. Employees stay because it feels like family. That doesn't transfer with a signature. It transfers with the seller standing next to the buyer for a while.

We're not selling the business a piece at a time. Ownership changes at closing. What changes is that the seller stays involved on his terms, and gets paid as the business he built keeps producing.

The one rule

The business has to pay for whoever runs it, then for what it takes to keep it going and growing, and then for the seller, in that order. The seller gets paid last. That is not a slight; it is the reason he gets paid at all, because a business that is starved to pay him stops paying him.

Profit is what the business really makes after all the owner's discretionary items are added back, the SDE from Chapter 3. Leadership is everything it takes to run and grow the business without the old owner: the people

who lead it, a market wage for whoever does the owner's job, overhead, working capital, and money to grow. The seller is the payments to the seller.

If profit doesn't cover both, the structure changes. The standard doesn't. Payments never come out of operating capital. You never dig into the money the business needs to run. Everything has to stand on its own.

That rule is why nobody in one of these deals has ever needed to sign a personal guarantee. The business carries the deal or the deal isn't done.

The order, from the customer backwards

Here is how I analyze every deal, and it's the same order every time. From the customer backwards.

First, the customer. If the customers stay for five years or longer, everybody does well. If they don't, nothing else works. Second, the employees. The people taking care of those customers have to be taken care of: they keep their job, their pay and their dignity. They become family, not orphans. Third, the buyer. He has to have enough left to pay the team, cover the infrastructure, and still come out ahead, or he can't carry the business. Fourth, the seller. This is his Hall of Fame moment: the customers stayed, the employees stayed, the buyer is doing well with the company he built, and he gets paid as well.

If the seller is too aggressive about how fast he gets paid back, the buyer ends up with cash flow problems, the business gets starved, and then nobody gets paid, because the business falls apart. If the numbers are tight, stretch the seller's payments over more time. Five years instead of three. Seven instead of five. The seller still gets paid. The business stays healthy. Longer and steady beats shorter and busted every time.

Think like a banker, because as the seller, you are the bank. A bank cares about one thing: getting paid. It looks at the ratios. Can the borrower handle the payments? Is there a cushion? A bank would never approve a loan the borrower can't afford, and you shouldn't either. Even if you take

a little less per month over a longer time, that's the deal that pays you in full.

It's two business people getting it done without a third party's approval. No bank, no committee, no waiting months for someone else to say yes. They work it out with the resources they have, and the speed of the transaction is in their hands. The seller is in the best position to make sure the business does great going forward: all the inside knowledge, all the history of taking care of the customers. That's why this works for Main Street. You don't need every procedure written down or a plan for who takes over already in place. You need two honest people at the table. There's too much risk in a small business to play games, so the buyer says what he's worried about and the seller says what he needs.

Uncle Dave is the buyer you want to be. When he looks at a business, the first thing he asks is: can my team and I take care of these customers as good or better than what they're used to? He makes sure of it before he goes any further. Then he looks at the employees, and he doesn't see a workforce to manage. He sees people to welcome into the family. That's why the customers stay, the employees stay, and the deals work.

Start from the customer, then the margin

Before any of the numbers, look at how the money comes in. Analyze the business from the customer backwards. Who pays, how often, how long they've been paying, how many of them there are, and who on the team they actually deal with. That tells you how stable the revenue is, and the revenue is what pays the seller.

Then look at gross margin, because a percentage of revenue only works if there's room under it. If a business keeps forty percent after its direct costs, an eighteen percent revenue share leaves twenty-two percent for everything else, which is likely too thin. At a sixty percent margin, the same eighteen percent leaves forty-two percent. Same percentage, completely different deal. That's why the percentage is negotiated, not fixed.

The buyer's test

Here is an illustration, with round numbers. It is an illustration, not a promise and not a real deal.

A service business does one and a half million in revenue and three hundred thousand in SDE. The buyer needs a manager to do what the owner does today, and a fair wage for that job is ninety thousand. The buyer wants thirty thousand a year held back as a reserve.

Agreed price, three times SDE: nine hundred thousand. Twenty-five percent down: two hundred twenty-five thousand. Balance carried: six hundred seventy-five thousand.

The seller is paid eight percent of collected revenue. On one and a half million, that's one hundred twenty thousand a year.

Cash available after the manager and the reserve: three hundred thousand minus ninety minus thirty, which is one hundred eighty thousand. One hundred eighty covers one hundred twenty one and a half times, and leaves sixty thousand. The business stands on its own. The balance is paid in roughly five and a half years at today's revenue, sooner if it grows.

Now change one number. Make the SDE two hundred thousand instead of three. Cash available drops to eighty thousand, and the same payment fails. That's not a reason to walk away. It's a reason to change the structure: a smaller percentage, a longer term, a bigger down payment, a lower price, or all four. The rule stays. The structure moves.

> **From the book to the tools · The Shared Success Plan Structurer**
>
> Build one plan, run the buyer's test, see both chairs and the year-by-year, and get the thirty-second version.
>
> growthroughacquisitions.com/tools/ssp-structurer

The seller's math Now the other chair.

Take out a million-dollar mortgage at four and a half percent for thirty years and you pay back about one million eight hundred twenty-four thousand. The bank makes eight hundred twenty-four thousand for lending money.

A seller who carries part of the price is on the receiving end of that math. Sell for a million with forty percent down and carry six hundred thousand at seven percent over seven years, and the note pays back about seven hundred sixty thousand. The seller receives about one million one hundred sixty thousand in total instead of one million. Be the bank.

It's the same thing you already know from buying a car. A thirty-thousand-dollar car financed over five years costs more than thirty thousand. The difference goes to whoever carries the paper. When a seller carries it, the difference goes to the seller, and the buyer gets a partner who wants the business to succeed instead of a lender who just wants the payment.

Real deal, disguised, and the one I mentioned in Chapter 3: the seller carried back eight hundred fifty thousand dollars over seven years. That note will pay him roughly three hundred thousand dollars more than if he'd taken the whole price in cash at closing. The old way, that was the bank's money.

The two ways to pay, and how I join them

There are two ways to structure the part of the price that isn't paid at closing.

The first is a purchase price with a note. The seller carries part of the price like a bank would, at a fair rate, over a set term. That's the eight-hundred-fifty-thousand-dollar deal above.

The second is a share of collected revenue. Instead of a fixed payment, the seller receives a percentage of gross revenue collected each month, until a cap is reached.

Here's how I turn one into the other. Start from what the seller wants. Say a company does four million a year and the total price is set. The seller will carry a piece, but only if it pays him the way a bank would be paid. Fine. Price the carried amount as if it were a note at a fair rate over a fair term. That gives you a monthly figure and a total, and the total becomes the cap. Then, instead of a fixed monthly note, the seller receives a share of gross collected revenue, set so that at today's revenue it pays about the same as the note would, until the cap is reached. If the business grows, he's paid sooner. If a month is soft, that month's payment is smaller and the business isn't strained. The seller gets the bank's money. The buyer gets payments that breathe with the business. Price it like a note, pay it like a partner.

I worked this out on a sale where the first offer held back one hundred fifty thousand as a two-year note and the buyers wanted the seller to carry more. I priced the carried amount like a five-year note at nine and a half percent and turned it into a share of revenue, capped at what that note would have paid. The building in that deal could be financed the normal way, which is what lets a buyer put most of the price down. Chapter 13 has the rest of it.

Which way fits depends on the industry, the risk, and whether there are hard assets like real estate in the deal.

There is no template. That's the point.

I want to be clear about something, because most deal structures come in a box. Bank loan: here's the box. A government-guaranteed loan: here's a smaller box with more paperwork. The Shared Success Plan doesn't come in a box. It's built around the two people at the table and what they actually need.

The seller's financial situation. Maybe he needs a big chunk now because he's buying a house. Maybe he'd rather have steady monthly income for seven years because he's retiring and that's his paycheck. Maybe he's in a high tax bracket this year and wants to push income into next year.

Maybe he's got a health issue and wants it done fast. Every seller walks in with a different life. The plan bends to fit it.

The buyer's situation. Maybe he's cash-heavy and wants to put a lot down and be done. Maybe he's buying his third company this year and needs to keep cash free. Maybe his bank will finance the building but not the business. The plan bends to fit that too.

Tax brackets. Timing. Cash flow. Risk tolerance. How long the seller wants to stay involved. Whether there's real estate. Whether the seller needs income or a lump sum. All of it goes into the design. Down payment anywhere from nothing to ninety percent. Revenue share from ten to eighteen percent. Terms from two years to ten. Monthly payments, annual true-ups, pauses for hurricanes: it's all been done.

That's why the next chapters exist: the deals in Chapter 13, the people in Chapter 14, and in Chapter 15 what happens when it goes wrong.

I'm showing you all of it so you understand: anything is possible with this. Not because it's vague. Because it's designed around people instead of around a lender's checklist. The bank asks what box you fit in. The Shared Success Plan asks what you need. That's the difference.

The ranges I actually use

These come from the deals, and from the market data behind the Sizing Ladder in Chapter 3. They are starting points. Every deal moves inside them.

Down payment: anywhere from nothing to ninety percent. Roll-up buyers who don't want a long tail usually put forty to sixty percent down. Nothing-down deals happen when the seller's needs and the buyer's cash line up that way, like the tax practice in Chapter 13.

Revenue share: ten to eighteen percent of gross collected revenue is the range that has worked. The top of it only works when the share applies to

a defined slice of revenue, such as one team's production, or when the margin is high.

Term: two to seven years for most Main Street deals. Larger companies stretch to ten. Shorter means higher payments and a quicker exit for the seller. Longer means lower payments and steady income. Match it to what the seller needs.

Timing: monthly. Quarterly sounds nice and then the big quarterly checks become a cash-flow problem; I've watched a buyer ask to switch to monthly after one or two quarters, and I always say yes. Pay on the fifteenth, thirty days after the month closes, so the revenue has been collected before it's shared.

You share the success. You share the risk.

Here's what most people miss about the name. Shared success doesn't just mean the seller shares in the upside going forward. It means he shares the risk if things don't continue.

Think about it. With a fixed note, the seller gets paid whether the business thrives or struggles. The buyer carries all the risk alone. With a revenue share, the seller's payments breathe with the business. If revenue grows, he's paid faster. If a customer leaves, his payment drops too. He's got skin in the game after closing. He's not just a creditor waiting for a check. He's a partner in what happens next.

That's why I say start from the customer and work backward. Before you agree on a price, before you agree on terms, sit down together, buyer and seller, and analyze the business from the customer back. Who are the customers? How long have they been here? Why do they stay? What would make them leave? How do we keep them for years, if not decades?

The seller knows the answers. He's lived them. The buyer needs to learn them. And they need to agree on them, because after closing, they're on the same team. The seller's payments depend on the customers staying.

The buyer's business depends on the customers staying. Same goal. Same side of the table.

That's what makes this different from every other structure. It's not buyer versus seller, negotiating against each other. It's two people looking at the same customers and asking: how do we keep them? The seller brings the knowledge. The buyer brings the energy. And the structure makes sure they both care about the answer, because they both get paid on it.

Shared success. Shared risk. Same team. That's the whole thing.

The seller and his team carry the knowledge forward

Here's who knows the customers best. The seller. And his team. They've been answering the phones, showing up at the job sites, handling the complaints, remembering the birthdays. That knowledge doesn't live in a spreadsheet. It lives in people.

So after closing, it's all hands on deck. The seller doesn't disappear. His team doesn't get replaced. Everybody focuses on one thing: the customers have as good an experience as they had before, or better. Not the same. Better. Because the buyer brings new resources, new energy, new capabilities, and the seller's team brings the relationships. Put them together and the customer should feel the difference in the first ninety days.

That's the transition. Not a handoff where one person walks away and the other figures it out. A period where both sides are in the room, the seller teaching, the buyer learning, the team doing what they've always done but with more behind them. The customers don't experience a change of ownership. They experience an upgrade.

And the seller wants this. Remember, his payments depend on those customers staying. He's not helping out of kindness. He's protecting his own money. That's the beauty of the structure. You don't have to beg the seller to stay involved. The revenue share makes him want to. His best financial move is to make sure every customer is taken care of. Your best

move is the same thing. For once, the incentives aren't just aligned. They're identical.

By company size, the market data I work from lines up about like this.

Company size (revenue)	Typical multiple basis	Down payment	Term
Under $500K	1.5 to 2.5 times SDE	30 to 50 percent	3 to 5 years
$500K to $1M	2 to 3 times SDE	40 to 60 percent	3 to 5 years
$1M to $3M	2.5 to 4 times SDE or EBITDA	40 to 60 percent	4 to 6 years
$3M to $5M	3.5 to 5.5 times EBITDA	50 to 70 percent	5 to 7 years
Over $5M	5 to 7 times EBITDA	60 to 80 percent	5 to 10 years

Source: the Shared Success Plan Universal Calculator, built on IBBA Market Pulse, BizBuySell and DealStats data. Ranges, not rules.

Terms match the risk

Ninety-nine percent of buyers, when they hear that one customer is half the revenue, say I don't want it. If they're doing it the traditional way, with all cash or a bank loan, they're right. That's too risky.

But look under the covers. That customer has usually been there for years, sometimes more than ten. The team that takes care of them is already in place. The relationship is already built. If I asked that same buyer whether he'd like to win an account that size organically, he'd say of course, and then he'd have to hire the people, build the infrastructure, and hope the customer stayed.

So don't walk away. Adjust the terms to the risk. Carve that customer out and pay a share of that revenue for as long as it stays. Put more down on the rest of the business and less on the concentrated piece. Delay the start of payments so the transition is proven before the seller is paid on it. Shorten the term. Tie part of the payment to that account. The medical documentation deal in Chapter 13 was saved by moving the first payment from month three to month nine, and nothing else.

Customer concentration is not a reason to kill a deal. It's a reason to structure one. A seller with a large account has been lying awake every renewal for years. He knows it's a risk. If he's honest, he'll structure around it, and if the buyer brings something to the table, technology, capacity, a better experience for that customer, everybody wins.

Where the numbers come from

None of this works on a P&L alone, because small-business P&Ls have the owner's life run through them. Bank statements don't lie. Two years of bank statements and credit-card statements, a payroll census and an org chart, and the customer list by revenue, and you can see the real SDE, the real margin, and the real concentration. That's the game film. Buyer and seller watch it together, on the same side of the table, and the structure almost designs itself.

What it is not

It is not a nothing-down deal, as a rule. I've done deals with nothing down and I've done deals with ninety percent down. The down payment is not the issue. The issue is whether the succession works, meaning the employees and the customers and the revenue stay intact, and whether there is enough margin for the payments.

It is not a way to buy a business on the cheap. I see people out there teaching how to take advantage of sellers. Five years from now, the person who sold the business should feel like they got a great deal, and

the person who bought it should feel like they got a great deal. If it only works for one side, it's not the deal.

It is not complicated. Some people build structures with three or four moving parts and side agreements. I know people who do it. It's not good. One percentage, one report, one check.

And it is not financing, or not only financing. That's the part most people miss, and it's the subject of Chapter 14.

The four wins

Every deal I structure has to pass one test, and I check it four times.

The buyer wins. He gets a running business with its team, its customers and its cash flow, on terms the business can carry, without pledging his house.

The seller wins. Paid fairly, legacy protected, transition on his terms, and very often more total money than a cash sale, because he's earning what the bank would have earned.

The employees win. Jobs kept, culture respected, more opportunity inside something bigger. In some of my deals the people who make the revenue got a stake in it.

The customers win. The same people they trust, no disruption, or better.

If one leg is off, the table falls. That's why I don't compromise on any of the four.

What you'll need to make it work Three things, and you'll notice none of them is a bank.

A business with enough profit. Enough to pay a living wage to whoever runs it, enough to keep it growing, working capital, and enough left to pay the seller. If it takes a little longer because the profit is thinner, fine. The seller gets monthly income longer. Everybody still wins.

A customer base and a team that can be transferred. The revenue only transfers if the relationships transfer.

Two people who trust each other. I've never had a personal guarantee in one of these deals. That's not a loophole. It's the reason the buyer and the seller have to know each other, be transparent about their finances, and believe the same thing: that the buyer can do as good or better a job than the seller did. That belief is competence and character, and it's what the seller is really underwriting. If the seller doesn't believe that, he shouldn't sell to that buyer. You're adding to the family. Choose like it. Chapter 14 is how you find out.

That's the plan. Now let's look at the deals, because it has to work on real companies or none of the rest matters. Chapter 13 takes the handoff: the deals themselves, real numbers, names off, and the terms of each one in a table you can compare. This is where the paper meets the people.



The Shared Success Plan.

CHAPTER 13

The Deals, Names Off

Chapter 12 gave you the plan on paper. Now let's watch it work on real companies. More than a dozen deals, real numbers, names off. This is where the paper meets the people, and it's the meat of this book.

These are transactions I was personally in the middle of. I know every one of them. I put these deals together, I sat at the table, I had the conversations. What I'm trying to do with this book and the courses is teach you to do the same, because I can't be everywhere anymore. These deals are how I show you, so you can go do it too.

Every deal below is shaped around the people in it. The buyer needed one thing, the seller needed another, and the structure is what it took to meet both. No two are the same, because no two pairs of people are the same. So each one is told the same way: the story, then the deal itself in a short table, so you can see the terms at a glance and compare them.

If you're the buyer, these are the deals that show you the structure bends to the business, not the other way around.

If you're the seller, one of these is probably your business. Find it.

Why it matters to both of you: every deal below is real. The names are off and a few details are rounded so nobody can be identified, but the structures, the problems and the outcomes are what happened. Almost every term that made one of these deals work was the answer to something one side needed. That's the thread. Same side of the table, every time. Buyer and seller looking at the same numbers, solving the same problem.

They run from nothing down to most of it down, in that order.



The deals at a glance: down payment at closing, from nothing down to most of it down.

Nothing down: the tax practice

Years ago I got a message on Instagram from an acquaintance. His brother was having health challenges and needed to transition his business. I knew the brother. He ran a very successful tax and accounting practice, great reputation, about twelve hundred clients, farms and companies and families who had used him for generations. He was set for life financially. His concern wasn't the money. It was the clients.

I represented him. The problem was that he did the work of three or four people himself. His couple of support people were older and weren't coming with the business. I called every tax and accounting practice in the area, and every one of them was so short-staffed that even if they wanted the clients, they couldn't absorb the work. Not one could take twelve hundred clients.

So I stopped looking at accountants. I looked at who else served those clients. Financial planners. Two of them were interested, and one, a good-sized firm, loved the idea of offering tax and accounting to its own clients.

The buyer was already picking up about three hundred new clients of his own, so he was growing into it. And because of his licensing he was careful: he kept the two businesses completely separate for compliance, and he hired a couple of tax professionals to do the tax work under the seller's guidance. He didn't cut a corner on that.

The structure: nothing down. One hundred percent of the price paid as a share of revenue over six years. The deal closed around the first of October. The first payment wasn't due until the following June, after tax season, so the buyer had a full season of collections before the first check went out. The seller was paid a salary for the first quarter and a paid role through tax season, to lead the work and introduce the top clients. We made a video and held an open house so people could meet the new firm. It was a small town. That mattered.

Everybody got paid. The clients had a place to go. Think about what happens to a small community if a practice like that just closes: thousands of returns with nowhere to land. This was the deal that convinced me the plan could work from nothing down when the fit is right. It is the exception, not the template. Nothing down only works when the seller trusts the buyer and the revenue is sticky.

The deal	The tax practice
The business	Tax and accounting, about 1,200 clients, about $850,000 in revenue and $325,000 in SDE
The buyer	A financial planning firm that wanted tax services without tying up capital; kept the two businesses separate for compliance and hired tax professionals to do the work
At closing	Nothing down
The rest	100 percent of the price as a share of revenue over six years, at a price about 20 percent higher than a cash offer would have been
Timing	Closed around October 1; first payment the following June, after tax season
The seller's part	A salary for the first quarter and a paid role through tax season, to lead the work and introduce the top clients
Why it worked	SDE was about 38 percent of revenue, so a share of revenue could pay a higher price without starving the firm

Carried in full: four ways to pay the same eight million

This one is bigger than most of the deals in this book, and I include it because the lesson scales down. A precision manufacturing company with a skilled shop team and two owners who both wanted to retire in year three. Revenue had slipped about eighteen percent in three years, from about ten and a half million to about eight point six, but costs had been cut and adjusted earnings had averaged about two and a half million. The agreed price was eight million, carried entirely by the sellers at no interest, with the stock held in escrow until it was paid. The business also carried its own bank debt and needed steady spending on equipment.

The draft agreement swept one hundred percent of every year's cash flow to the sellers until they were paid. On paper that pays them fastest. In practice it leaves nothing for equipment, nothing for working capital, and

nothing for a bad year, and the business the sellers are counting on to pay them is the first thing it starves.

So before we touched the structure, everyone at the table agreed on a priority order. One: the business stays strong. Two: the employees are protected. Three: the sellers are paid in full. Four: the sellers' payments work for them. Five: the buyers can grow it. Then we tested four ways to pay the same eight million against that order, starting after the three-year transition. The sweep. A flat eight hundred thousand a year for ten years. A flat five hundred thirty-three thousand a year for fifteen. Or a ramp: four hundred thousand a year for years four through ten, then one million forty thousand a year for years eleven through fifteen.

Only the ramp covered its payment in a year that slipped, with room to spare. It honors all five priorities in order and it still pays the sellers every dollar of the eight million. The fastest payout is rarely the safest. And one flag for the sellers' CPA that applies to every deal in this chapter: calling the payments a consulting fee instead of an installment sale can change how the seller is taxed. The label is the CPA's and the attorney's call, not mine and not yours.

The deal	The manufacturer
The business	Precision manufacturing, about $8.6 million in revenue, adjusted earnings averaging about $2.5 million
Price	$8,000,000, carried in full by the sellers at no interest, stock in escrow until paid
At closing	Nothing; the owners stay three years, then the payments begin
The rest	A ramp: $400,000 a year for years four through ten, then $1,040,000 a year for years eleven through fifteen
Tested and rejected	A sweep of all cash flow; a flat $800,000 for ten years; a flat $533,333 for fifteen
Why it worked	The only structure that covers its payment in a slip year and still honors the priority order

Twenty-five percent down: the testing lab

An environmental testing lab, founder-owned, where the owner was also the lead technician. He paid himself seventy-five thousand a year. The technicians on his team earned about one hundred ten. Agreed value, eight hundred thousand. What the seller wanted: his team taken care of, and a say in who replaced him. What the buyer needed: an honest number for what it would cost to replace an owner who underpaid himself, and payments nobody could argue about later.

Earnings were adjusted before anything was priced: thirty-five thousand to bring the owner's technical role to market pay, plus twenty-five thousand for the oversight he did as owner. Sixty thousand a year that a new owner would have to spend, taken out before the multiple was applied.

Then the payments. The remaining balance was paid at eighteen percent of gross monthly revenue collected, and revenue meant the production of a fixed three-person team, including the owner's replacement, for thirty-six months. New hires later didn't count, which kept it clear. Eighteen percent is the top of the range, and it worked here because it applied to one team's revenue, not the whole company's. Every month a ledger by customer: revenue collected times eighteen percent equals the check.

The deal team put a comparison in front of the seller: a cash sale netting about five hundred thousand after tax with no income afterward, against this plan at about six hundred ten thousand or more net, paid out over three years. A projection, not a promise. Whether the payments were called goodwill or consulting was a question for his CPA and attorney, because the label changes how the seller is taxed. That's not my call and it's not yours.

The deal	The testing lab
The business	Environmental testing lab, three-person technical team, owner also the lead technician
Price	$800,000, after adjusting earnings by $60,000 a year for the cost of replacing the owner
At closing	$200,000 down (25 percent)
Set aside	$160,000 as an employee and owner allocation, specific to this deal and not a standard part of a Shared Success Plan
The rest	$440,000 at 18 percent of gross monthly revenue collected by a fixed three-person team, for 36 months
Timing	First payment 60 days after closing, then by the 15th of every month, with a ledger by customer
The seller's part	A 60-day transition in the price, training his replacement and introducing the top 20 clients himself; a say in who the replacement was; a five-year non-compete limited to the home state
The seller kept	His vehicles and the receivables from before closing

Thirty percent down, closed in three weeks

A business services company doing about eight hundred thousand a year. The seller wanted the deal done. A lender would finance it with twenty-five percent down, after an approval that could take months. The buyer put thirty percent down instead, more than the lender would have asked, and paid the rest at twelve percent of monthly revenue over four years. It closed in three weeks.

Speed and certainty are worth money to a seller. A bit more down, on terms the business can carry, beats waiting on a lender.

The deal	Three weeks to close
The business	Business services, about $800,000 a year in revenue
At closing	30 percent down, more than the lender's 25
The rest	70 percent at 12 percent of monthly revenue over four years
Timing	Closed in three weeks instead of months waiting on an approval
Why it worked	The seller got certainty and real money down; the buyer got payments the business could carry

When somebody talked the buyer out of it

I represented a buyer on a transcription company a few hours away. One customer was about forty-five percent of the revenue: happy, long-term, and handled by two account people the customer liked.

The structure we agreed was thirty percent down and the rest paid over two years as a percentage of revenue. The buyer could have put more down. We chose thirty because of that one account. The customer met the buyer, the team was happy, and as long as those two account people stayed on the account, the customer was fine.

Then the buyer's accountant got involved. He'd looked at the numbers and approved them. When he saw the Shared Success Plan, his opinion was that we'd paid too much, that businesses aren't sold this way, and that they're sold with a note. So he went back and renegotiated: a lower price, about fifty thousand less, and a fixed note with guaranteed payments instead of a share of revenue. He thought he was the hero. I found out at closing. There was no agreement with those two employees. A few months later, knowing exactly how valuable they were, they left, started their own company in the same business, and took the account with them. The note didn't care. Nothing in it said what happened if an account went away. The buyer lost money on the transaction, it went to court, and she still had to pay. She lives close enough to me that she and

her husband and I sat down afterward. It was a tragedy all the way around.

Under the plan we'd built, the payments on that revenue would have stopped the month the revenue stopped. It still wouldn't have been a good day. But she wouldn't have been writing checks on money that wasn't coming in.

That is what the advisor who says "you'll get burned" never sees. He was protecting the seller from the buyer. Nobody was protecting the buyer from the structure.

The deal	The transcription company
The business	Transcription, one customer about 45 percent of revenue, handled by two account people
As we built it	30 percent down; the rest over two years as a percentage of revenue, so the payments followed the account
As it closed	About $50,000 off the price, and a fixed note with guaranteed payments
What was missing	Any agreement with the two account people
What happened	They left, took the account, and the note kept coming due
The lesson	Match the financing to the risk. The structure that looked more expensive was the protection

About half down: the divestiture

I represented a seller who owned three business units. My first thought was to sell them together. When I looked at who would actually buy them, nobody wanted all three. So we split them and sold three separate deals, more work for me, more money for my client. Every one of them was a Shared Success Plan at around fifty percent down, and in all three the sellers got every dollar.

One of the units was in medical documentation. We found the perfect cultural match: both companies had been in business for decades, long-term employees, the same values. Then the offer came in about thirty percent below where we thought it would be. My client was offended. There are a lot of emotions in selling a company.

We had a week to respond and multiple offers on the table. I waited until an hour before the deadline on a Friday and sent an email saying we were going to decline. The buyer's CEO called within minutes. On that call I learned why the offer was low, and it's a lesson I still use.

One client was about twenty-five to thirty percent of the revenue and had been paying about twenty percent above market for years, because of special service levels and expedites. I saw that as extra profit. The buyer saw it as a liability. He said, Brian, they'll sit down with me after we close and ask what our normal rates are, and I'll have to tell them the truth. He was right. When you're the seller, nobody ever challenges that arrangement. When you're the buyer, you're the one who has to defend it three months in.

So I asked what the real concern was. Time. The longer that client stayed after closing, the more comfortable he'd be. The plan was set to start paying at the end of the first quarter. My proposal: start it at nine months instead of three. Nothing else changed. My client was fine with it, because she knew the client was happy. The buyer got six extra months to prove the relationship before he paid for it. We got the price we wanted.

Eighteen months later the buyer was acquired, and under the agreement my seller was paid the whole balance early. That clause, the balance paid in full if the company is sold again, is cheap for an honest buyer and priceless for a seller. Put it in every plan. The one-off arrangement that almost killed the deal never became a problem.

The deal	The medical documentation unit
The business	One of three units divested separately; decades in business, long-tenured employees and accounts; one client about 25 to 30 percent of revenue at premium rates
The first offer	About 30 percent below asking, with about half down
The answer	Sent an hour before the deadline: keep the structure, raise the price to asking, move the first payment
At closing	About half down
The rest	A share of gross revenue over about four years, with the balance paid in full if the company is sold again
Timing	First payment nine months after closing instead of three, so the premium client could prove it was staying
What happened	The client stayed; the buyer was acquired eighteen months later and the seller was paid off early

Half down: the book of business

The safest first roll-up I know is a book of business you can absorb. A company doing about one and a half million a year bought a book of business in its own industry doing about three hundred fifty thousand, with about one hundred twenty thousand in SDE. That's twenty-three percent of the buyer's revenue, inside the twenty to thirty percent range where an acquisition is very safe when it's structured right. The buyer's team could do the work without a single new hire.

The deal	The book of business
The business	A book of business doing about $350,000 a year with about $120,000 in SDE, bought by a company doing about $1,500,000
Price	3.2 times SDE: $384,000
At closing	Half down: $192,000
The rest	$192,000 over 24 months, about $8,000 a month, tied to the book's performance
Why it worked	Sized at 23 percent of the buyer's revenue, so it could be absorbed, and the second half paid for the clients who actually came over

Sixty percent down: the concentrated book

A revenue-cycle-management company with sixty-five accounts, where three clients were about forty percent of the revenue, every one of them a relationship of ten years or more. The sellers were in their fifties, sixties and seventies, ready to retire, and they wanted a clean deal. The buyer did his homework: he called the top accounts during diligence and confirmed they were happy. Sixty percent down, which gave the sellers real money at closing, and seventeen and a half percent of monthly collected revenue for twenty-four months on the rest. They told the clients, we're making an investment in this business, and the sellers stayed through a two-year transition. If a big account had left, the payments would have followed it down. It didn't, and the sellers were paid out in two years. I call it a Hall of Fame exit: clean, simple, everybody knew what they were getting.

The deal	The concentrated book
The business	Revenue cycle management, 65 accounts, three of them about 40 percent of revenue, each a ten-year relationship
At closing	60 percent down, for the sellers' immediate liquidity
The rest	17.5 percent of monthly collected revenue for 24 months; payments adjust if a major client leaves, and rise if revenue grows
Diligence	The buyer called the top accounts himself and confirmed they were staying
The sellers' part	A two-year transition
What happened	No account left; the sellers were paid out in two years

A public buyer, and part of the price in stock

A husband and wife owned a documentation company serving the insurance industry. Wildly profitable: sales just under four million and SDE of about one and a half million. Many of the largest carriers in the country as clients, most of them for more than ten years. And the top three customers were seventy-eight percent of the revenue, on one-year service agreements. The first offer came in at two point eight times earnings, and the reason was simple: three clients could leave and take most of the revenue with them.

I worked with them for about a year before we went to market. The first thing I asked them to do was go to those three customers and ask for five-year agreements. I can still see the terror on the wife's face. But think about it from the customer's side: a key vendor with a ten-year track record, and they get to lock in the relationship. All three signed within ninety days. Nobody negotiated price. They negotiated service levels, with penalties if deadlines were missed, which my clients were already hitting. Now seventy-eight percent of the revenue was under contract for five

years, and the offer went from two point eight times to five point one times on the buyer's measure of earnings.

The buyer was a public technology company serving those same industries. The structure was part cash at closing, a piece of the price in the buyer's stock at a discount, and the rest as a share of gross revenue over about two years. The stock went up quite a bit. The payments started quarterly, and after one or two quarters the buyer asked to switch to monthly because the big checks were hard on cash flow. We switched. Monthly is what I recommend from the start.

The deal	The public buyer
The business	Documentation services for insurance carriers, sales just under $4,000,000, SDE about $1,500,000, top three clients 78 percent of revenue
Before the sale	The top three clients moved to five-year agreements; the offer rose from 2.8 to 5.1 times
Price	$6,000,000
At closing	$3,600,000 in cash (60 percent)
In stock	$1,000,000 of the buyer's stock, issued at a 25 percent discount to its price at closing
The rest	$1,400,000 as a share of gross revenue over 24 months, quarterly at first and then monthly, about $58,000 a month
Why it worked	The concentration risk was removed where it could be, with contracts, and the rest of the price was put where the remaining risk lived

The owner is a third of the work

A consulting firm doing about a million in revenue with roughly four hundred thousand in SDE. The owner personally delivered about a third of the client work on top of running the company.

You can't pay for earnings the owner is taking with him. So the offer was two and a half times the earnings generated by the two remaining employees, with the owner choosing between recruiting and training his replacement or staying on in a smaller role. His share of the payments was tied to revenue the team produced, not revenue that depended on him. Every client he handed over successfully was value that transferred, and he earned the same multiple on it. My rule is simple: I'm not going to pay you for revenue that disappears the day you leave. But I'll pay full value for everything you make stay. He chose to replace himself. He found the person, hired him, and brought him in to carry his share of the production. The deal closed, and he was paid the full multiple.

The deal	The consulting firm
The business	Consulting, about $1,000,000 in sales and $400,000 in SDE; the owner delivers about a third of the work
The valuation	2.5 times the earnings produced by the two remaining consultants, not the owner's own work
The owner's share	The same multiple on his own third, if he replaces himself and the clients stay
What happened	He found and hired his replacement; the deal closed and he was paid on all of it
Why it worked	The buyer paid for what transferred; the seller was paid for every client he handed over

The building and the accreditation

An accredited asbestos analysis lab, three staff, its own building owned free and clear, about three hundred fifty thousand a year from ninety-seven active customers. A federal accreditation held continuously for twenty-seven years. The owner was fifty-seven and his lead analyst had been with him twenty-four years. Several customers had special pricing and turnaround arrangements that were never written down.

Six hundred thousand for the business and the building. A stock sale rather than an asset sale, so the accreditation transfers with the company. The seller stays two years as lab advisor, managing the accreditation cycle. And every handshake arrangement with a customer gets written down before closing, so the new owner can honor it after. The revenue only transfers if the relationships transfer. Find every handshake deal before you price anything.

Paid evenly, the balance would have been about ten thousand a month against roughly twenty-nine thousand a month in revenue. That's why the balloon, the building and the advisory role all mattered.

The deal	The accredited lab
The business	Asbestos analysis lab, three staff, about $350,000 a year from 97 customers, a 27-year accreditation, its own building free and clear
Price	$600,000 for the business and the building, as a stock sale so the accreditation transfers
At closing	$200,000 down, with $25,000 of operating capital left in the business
The rest	$375,000 over 36 months with a balloon at the end
The seller's part	Two years as lab advisor, managing the accreditation cycle
Before closing	Every customer's handshake pricing and turnaround written down, to be honored after
The person who mattered	The analyst of 24 years, treated as non-negotiable to keep

Most of it down: the learning center

The founder of this learning center had bought her building out of foreclosure and cashed out her retirement account to start it. She had never run a center before. She built it into a business worth selling, with

its building, for about one point eight million. Ten percent had already been given to the director who was staying. What she wanted at the end was predictable monthly income, lower stress, protection for her staff and the families, a clear runway into retirement, and a fair price without pressure.

The buyers already owned four centers. Their offer held back one hundred fifty thousand as a note payable in two years, and to close quickly they wanted the seller to carry more.

The building was worth about half the price, and a building is easy to finance. That is what lets a buyer put sixty or seventy percent down. Here is how I worked the rest. About seven hundred thousand carried, not as a note, but as a share of gross revenue while the seller works with the new owners. I priced it like a five-year note at nine and a half percent, which comes to about fourteen thousand seven hundred a month, on a center collecting about one hundred thousand a month, capped at what that note would have paid. If revenue dips, the seller is paid less that month. If it grows, the cap is reached sooner.

The same price, offered two ways: a lump sum, one large taxable event with no income afterward and no flexibility, or the plan, monthly income for years with interest earned on the carried balance and a transition that fit her stage of life. A Shared Success Plan is a plan for who takes over, not a note. The same price can be worth more.

The deal	The learning center
The business	A learning center with its building, collecting about $100,000 a month; the director who stays already holds 10 percent
Price	About $1,800,000 for the business and the building; the building about half of that and easy to finance
At closing	Roughly 60 to 70 percent down, helped by financing on the building
The rest	About $700,000 as a share of gross revenue while the seller works with the new owners
The cap	Priced like a five-year note at 9.5 percent: about $14,700 a month, about 14.7 percent of monthly revenue, capped at what that note would have paid
The first offer	$150,000 held back as a note payable in two years; replaced by the plan above
Why it worked	The buyers closed fast with the seller carrying more; the seller was paid like a lender for carrying it, with a dip in a slow month instead of a default

The seller as the bank: the two-million-dollar deal

A two-million-dollar transaction, and about nine hundred thousand of it was the building. The business itself was worth about one point one million, and the two were sold together. The seller needed income until retirement age, and she wasn't worried about carrying part of the price, because she knew exactly what the business would collect. This is the deal I mentioned in Chapter 3 and Chapter 12.

She carried back eight hundred fifty thousand dollars at nine percent interest over seven years. That paid her about thirteen thousand a month, and seven years was the number that mattered, because it took her to retirement age. We increased the carry-back on purpose, because it made the deal easier for the buyer, and at nine percent she earned about three hundred thousand dollars in interest on top of the principal. If part of the

price is going to be financed anyway and you're the bank, why not earn what the bank would have earned? She was excited to carry more. It gave her seven years of income, and the interest was better than anything safe she could have done with the money.

The deal	The two-million-dollar deal
The business	A business worth about $1,100,000 with its building, worth about $900,000, sold together for $2,000,000
At closing	About $1,150,000 (57 percent)
The rest	$850,000 carried by the seller at 9 percent over seven years, about $13,000 a month
Why seven years	It took the seller to retirement age
What the seller earned	About $300,000 of interest on top of the price
Why it worked	The buyer got in with less cash; the seller got the income she needed and was paid like the bank for carrying it

The sales kicker: the seven-hundred-fifty-thousand-dollar book

A book of business doing about seven hundred fifty thousand a year, sold for five hundred thousand. The owner was a seller. He could win the work. What he couldn't do was deliver it at scale, because every time he sold something he had to go find the people to do it, and finding people was the limit on the business. The buyer was a bigger company with the capacity he lacked: plenty of people to do the work.

Fifty percent down, two hundred fifty thousand, and the rest paid out over two years. Then we did something I'd do again tomorrow. We signed an independent contractor sales agreement: the seller got fifteen percent of gross revenue on any new business he brought in. He went back to the customers he'd lost over the years because he couldn't staff them, and he brought in about a million dollars a year in new revenue. He got paid on

all of it. The buyer removed the limit, and the seller became the rainmaker. There are all kinds of ways to solve a deal like this. It takes two business people sitting down and trying to give each other what they're looking for.

The deal	The $750,000 book
The business	A book of business doing about $750,000 a year, sold for $500,000
At closing	Half down: $250,000
The rest	$250,000 over two years
The kicker	An independent contractor sales agreement: 15 percent of gross revenue on new business the seller brought in
What happened	He brought in about $1,000,000 a year of new revenue, and was paid on all of it
Why it worked	The buyer had the capacity the seller never had; the seller got to do the one thing he was best at, and get paid for it

The agency: when you can't legally call it a sale

One deal needed government approval to transfer, and you couldn't technically call it a sale. It had to be framed as somebody taking over the agency and managing the transition. So that's what we structured: a transition fee of about seventeen hundred dollars per client, for roughly two hundred clients, paid as each transition was completed. Two hundred clients times seventeen hundred dollars was worth the seller's while, the clients had continuity, and the buyer paid for what actually transferred, as it transferred. When the asset legally can't be sold, you don't sell it. You structure a transition. The structure follows the asset.

The deal	The agency
The business	An agency of about 200 clients whose transfer needed government approval
The structure	Not a sale: a transition, with a fee of about $1,700 per client paid as each transition was completed
Why it worked	The seller was paid for what transferred, the clients had continuity, and nobody called it something it couldn't be

Creative pieces

Not every term is a number, and I've been on the seller's side of this one. My brother and I owned three fitness franchise locations. When we sold, the buyer offered a yellow sports car as part of the down payment. We didn't take it. We couldn't figure out how to divide a car between two owners, and both of us were scared to talk to our wives about it. We still did the deal, without the car. The offer mattered anyway. It showed the buyer was committed, and it kept the conversation going until the terms worked.

I've also seen a buyer throw in a stay at a beachfront place in the Keys. Main Street deals are personal. The plan leaves room for that, and the other side is allowed to say no thanks.

When the world stops

Several of these plans were paying out when COVID hit. Buyers and sellers agreed to pause payments for three months while everybody figured out what was happening, and then resumed. I live on St. Pete Beach. Two hurricanes came through in one year and I had to evacuate. My place was fine. A lot of businesses around me weren't. Build the pause into the agreement, and build the relationship so the phone call is easy.

What these deals have in common

Look back over them. Nothing down, a quarter down, half down, sixty percent, most of it down. Two years, four years, six years, twelve years, a balloon. A team's revenue, a whole company's revenue, a book's revenue, a piece in stock, a seller earning nine percent as the bank, a fee per client, a sales kicker. There is no single Shared Success Plan.

There is a single method. Understand what each side actually needs. Look at the business from the customer backwards. Adjust the terms to the risk instead of walking away. Make the payments follow the money. Write down what was never written down. Put the resale clause in. Keep it simple enough to explain in thirty seconds. And every one of them put the buyer and the seller on the same side of the table, because that is the only place these deals work. Every one of them was a buyer adding to the family, and a seller making sure the family would take care of what he built.

And one more thing, which the transcription deal proves better than any success story: when somebody outside the deal says businesses aren't sold this way, ask what they know about the buyer, the seller, the customers and the team. If the answer is nothing, they aren't protecting anybody. They're just repeating what they were taught.

Those are the structures. But here is what none of them worked without: the people. The structure is the smallest part of a Shared Success Plan. The transition and the team are the biggest part, and they are where these deals are actually won. That is Chapter 14.

CHAPTER 14

More Than Financing: The Transition and the People

Chapter 13 showed you the structures bending to fit real businesses. Every one of them worked because the people worked. This chapter is the part that matters most.

If you're the buyer, this chapter is about what you actually bought. Not a company. Relationships, and a short window to earn them.

If you're the seller, it's about the last job you have in the business, which is the most important one: handing it over so well that five years from now everyone is glad you did.

Why it matters to both of you: most people think the Shared Success Plan is a way to pay for a business. Payments are the smallest part of it. The plan is alignment, for an end zone five years out where everyone got paid and everyone won. The money follows the people. Get the people right and the score takes care of itself. That is what taking the handoff actually means: not signing for a company, but earning the relationships that make it one.

The seller's last job

Here is something I said to sellers in Chapter 4, and it belongs to both of you now. Handing over the keys is not the transition.

People buy from smaller businesses because it's personal. They can get somebody on the phone. Employees work there because in a lot of cases it's like family. None of that moves with a signature. It moves with you, standing next to the new owner, saying, this is who's going to take care of you now, and I picked them.

That's the seller's responsibility, and it's also the seller's leverage. A seller who takes the transition seriously can ask for more, because the buyer is getting the one thing that makes the revenue real. And there's a pay-it-forward in it. When this buyer sells someday, he transitions it to somebody as good or better, the same way. That's how a legacy actually lasts, not by keeping the name on the door.

Due diligence on the buyer

Chapter 4 told the seller who asks what if they screw it up: then don't sell it to them. Here is how you find out.

The plan only works if the seller truly believes the buyer can do as good or better a job than the seller did. That the customers will be better off. That the employees will be better off. So before you agree to anything, do your own diligence on the person across the table.

Can they run this business? What have they run before? Do they know the industry, or are they buying a business they've never worked in? What do they bring that you didn't have: capacity, technology, a bigger team, a better customer experience? Are they financially stable, and are they being straight with you about it? How do they negotiate, because that's how they'll handle a problem in year two. Will your employees be happy working for them? Will your best customer be happy hearing from them?

If you can't answer those questions with confidence, don't sign. It's not about the structure. The structure protects both of you from the business. Nothing protects you from choosing the wrong person. The scorecard in Chapter 10 is how you check, before you sign and every thirty days after.

Buyers, the same list runs the other way. Is this seller upfront about the numbers? Will he actually show up for the transition? If something goes sideways, is he the kind of person who picks up the phone and works it out, or the kind who calls his attorney? You'll know from how he behaves before the deal.

Start with what matters to you

Before any structure gets built, I have the seller fill out a short questionnaire, separate from the business résumé. What matters most to you in this transition? Is price the most important thing, or how much comes at closing, or monthly income? What do you want for your management team: do they stay, do they go with you, would you like them to carry a piece of ownership, even ten percent? Do you want out on closing day, or do you want to stay a year for the transition, or two or three to help it grow, and maybe carry some equity?

Not every seller wants to retire. Some want out now. Some would be better off selling sooner, taking some cash and monthly income, and staying involved in a consulting role while somebody else carries the load. There is no right answer. There is only your answer, and the structure follows it.

The employees

In my deals the employees are not a line item. They're the business.

In two of the Chapter 13 deals the people who made the revenue got a stake: the lab team's allocation, and the learning center director's ten percent. When I structure a management buy-in, the team that's running the place after the founder leaves has a reason to run it well, and the seller's payments are safer because of it.

At minimum, the buyer's plan for the team has to be part of the deal, not an afterthought. Who stays. Who leads. What changes and what doesn't. Whether the seller's payments depend on a specific team staying together, and if so, what happens if somebody leaves for reasons that have nothing to do with performance. The transcription deal went wrong because nobody had a conversation with two employees who knew exactly how valuable they were. Have the conversation.

The customers

The seller introduces the top clients himself, in person. In the tax practice it was a video, an open house, and the seller working the next two tax seasons. In the small-town deals, that's the difference between keeping the clients and losing them.

And find the handshake deals. Almost every long-running business has customers with special pricing, special turnaround, special anything, that was never written down. The accreditation lab had several. Every one of them got written down before closing, so the new owner could honor it. The revenue only transfers if the relationships transfer, and you can't honor an arrangement you don't know about.

Then don't overhaul everything on day one. Chapter 26 is the first ninety days, and its first rule is let it breathe. The most reassuring thing a customer can hear after a sale is that nothing changed except where the check goes.

The ninety days, and after

A ninety-day transition is included in the price, checked every thirty days against the scorecard in Chapter 10. After ninety days, the seller's involvement is a separate agreement, negotiated on its own: a consulting role, a season of work, an advisory seat, whatever fits. The buyer can call with questions the ninety days didn't cover. Keep the two agreements separate so the sale is the sale and the work is the work. Your attorney and CPA will tell you why that matters for taxes; I'll just tell you it keeps everybody clear.

Protections, in plain language

Nobody in one of these deals has signed a personal guarantee. So the protections are the terms themselves, and they should be simple enough that both sides could explain them.

For the seller: a floor on payments during the transition if the deal needs one; a cap so there's no penalty for success; a monthly report of collected revenue, customer by customer, reconciled to the bank statement; a defined advisory role so he isn't working for free; and a reasonable non-compete, limited in place and time.

For the buyer: payments only on revenue actually collected, never on what was billed; a non-compete with limits, so the seller can't take the customers back; the knowledge transfer spelled out; and adjustments for major events.

For both: a plain dispute process, a regular meeting on the calendar, and what happens if the business is resold, which in my deals is that the balance is paid in full, because whoever buys next doesn't want to inherit the payments.

And the pause. Natural disaster, economic downturn, loss of a major client: the agreement should say the parties will sit down and adjust, and the relationship should make that phone call easy. Several of these plans paused for three months during COVID by agreement and resumed. That is not a failure of the structure. That is the structure working.

The monthly report

The whole plan runs on one page a month. Revenue collected this month, customer by customer, reconciled to the bank. The total. The agreed percentage and the payment due. The date the payment was sent. Year to date collected, year to date paid, and the balance or cap remaining.

That's the report. Both sides see the same numbers. There is nothing to argue about, which is the point.

Free enterprise, belly to belly

I've said this is the last frontier of real free enterprise, and I mean it. Two owners, majority shareholders of their own companies, working out how one business passes to the other. No title company. No lender's

committee. No permission from anybody. It can be a handshake and a page that says who does what, or it can be as formal as your attorneys want to make it. That's your choice, because it's your business. The system we inherited says a business changes hands when a bank agrees to it. Most Main Street businesses never got that agreement, and most of them closed. This part of the book is the alternative, and it isn't theory. It's the pattern from hundreds of deals: understand what each side needs, adjust the terms to the risk, pay from what the business collects, transition the relationships, protect both sides in plain language, and check all four wins before you sign.

Five years from now, the seller should feel like he got the deal of his life. The buyer should feel the same. The employees should still be there and better off. The customers should never have missed a beat. When you can say that, you didn't just finance a business. You succeeded one, and you added to the family.

But not every deal goes that way. Chapter 15 is the other side: the deals that went wrong or nearly did, and what each one changed about how I build the next one. Read it before you fall in love with a company.



The transition is the deal.

CHAPTER 15

When It Goes Wrong: The Deals That Failed or Nearly Did

Chapter 14 showed you how the transition wins the deal. This chapter is what it looks like when something breaks anyway.

Most business books only show you the wins. I've been on the wrong end of this enough times that I don't trust a book that does that, and you shouldn't either. Harvard Business Review reported that forty to eighty percent of mergers fail to meet their objectives ("The Leaders Who Make M&A Work," September 2014). Main Street is different, for reasons I'll get to, but things go wrong here too, and every deal in this chapter changed how I structure the next one. Some of them were mine. Read this chapter before you fall in love with a company, and read it again before you sign.



Six failures, six lessons.

The one I did wrong myself

I told you in Chapter 11 about the company I bought in 2006, with my attorney and my accountant and my banker all excited, and the bank loan I could only get because I pledged an investment property against it. Here's the part I didn't say.

I bought that business by the rules that were written for big corporate conglomerates, for companies that aren't really owned by anybody except their shareholders. Not by some guy slugging away trying to raise four kids with a wife who stayed home. When the customers went away in 2008, there was no golden parachute and no thousands of shareholders to spread it across. It put enormous pressure on my family and on me. That property would be paid off today. It would be throwing off three or four thousand dollars a month, or the equity in it would have bought four or five more like it. I lost the asset, the equity and the income, and I carried the guarantees for years after the business was gone.

What it changed: everything in Part Two. The business carries the deal or the deal isn't done. Profit has to cover leadership and the seller before anybody signs. Nobody pledges the house. And the rules for Main Street have to be different from the rules the billion-dollar guys set, because when they get it wrong somebody gets a parachute, and when we get it wrong we lose everything.

The buyer who was talked out of the plan

Chapter 13 tells the transcription deal. Here is the part that belongs in this chapter. The price was about four hundred thousand dollars. The accountant's renegotiation took about fifty thousand off it and turned the plan into a fixed note, and he thought he'd saved her ten percent. I found out at closing, and I told her then that this was really risky: if that one customer goes away, this won't even cash flow.

A few months in, it did. She took out a second mortgage on her house to keep paying. It went to court, and she lost, because it was a note. About a year later she and her husband and I had dinner, because she lives near

me, and I saw what it had done to them. It was a nightmare for her, and I'm not going to say it any other way. Under the plan we'd built she would have paid more for the business, and she would not have been writing checks on nothing.

What it changed: two things. First, I put the structure in front of the advisors before closing now, not after, and I ask them the question I ask every advisor who says "you'll get burned": what do you know about the buyer, the seller, the customers and the team? The accountant saw the financials. He didn't know how many contracts there were, how long the customers had been there, or that two people held the biggest one. A CPA only sees one side, and I've had two CPA nightmares now. Second, I write down what happens if an account goes away, in every plan, in plain language.

The deal that died waiting

Chapter 11 has the buyer everybody liked whose loan approval came forty-eight hours after my sellers accepted somebody else's offer. Six months of exclusivity, gone by two days.

What it changed: I don't let a deal sit on one buyer's financing past ninety days without a second path, and I don't build a deal where the bank is the whole thing. The SBA or other lenders can finance a piece, on terms the business can carry. When the whole deal waits on an approval, the deal belongs to the approval, not to the two owners who agreed to it.

The offer that was withdrawn

Chapter 27 tells the learning center whose buyer withdrew an offer over a state funding question that had nothing to do with my client. She had worked hard, the business was good, and an outside event took it off the table.

What it changed: I never have one path anymore. That withdrawn offer is where the partnership idea in Chapter 27 came from, and the center did

sell later, on the structure in Chapter 13. Outside events will happen. COVID paused several of my plans for three months and every one of them resumed, because the pause was built in and the phone call was easy. Two hurricanes came through my beach in one year. Build the deal for the year that goes wrong, not the year that goes right.

The seller who wasn't ready

Here's something most people get backwards. They think buyers back out. In my experience it's the sellers, more often than the buyers, sometimes the day before closing.

I've watched an owner work for a year on her company, implement everything we talked about, triple what it was worth, get a very cash-heavy offer from a buyer backed by private equity, and turn it down. She wasn't hanging on too long. She'd just discovered she had a business, and she wanted to see what another year would do. I thought that one was a slam dunk. It was the right age, the right moment, everything lined up, and she said not yet. And it happens a lot: they've been doing it their whole life, and all of a sudden it's "I'm not ready," or "not quite yet."

What it changed: I stopped treating readiness as a number. I ask, in the first real conversation, what would make you say no even at your price. I'd rather hear "not yet" a year before closing than the day before. And I keep the relationship, because the owners who said not yet are the ones who call back.

The valuation that killed the deal before it started

I almost sell everything I list. When I don't, it's almost never the buyer. It's an expectation the seller walked in with.

An owner talked to three people before he talked to me. His accountant gave him a number based on earnings, which was the right idea, but she didn't understand that without him all those earnings walked out the door, because anyone buying his business was buying a sixty-hour-a-week

job. Her number was about forty percent high. His insurance agent told him the company was worth three times revenue. Not earnings, revenue, for a kind of business that has never sold that way.

And his wife had a number in mind that came from nowhere at all. By the time I met him he'd heard what he wanted to hear, and reasoning with him was interesting. I've had sellers get multiple offers in the same range, take them to their CPA, and have the CPA say they should be asking for more. I have never once had a CPA come back and say the offers were right. They never talk to me, they never see the drivers the Business Valuation Playbook scores, and for the most part they've never sold a business. Then it comes down to whether the client trusts me or the person who does his taxes, and sometimes the business sits, and sometimes it never sells.

What it changed: I put the valuation in writing, off the seller's discretionary earnings and the market data, with the sources the seller can check himself, before the offers come. The Business Valuation Playbook, the toolkit that goes with this book at growthroughacquisitions.com, shows you exactly how.

What they have in common

Look at the list. A buyer with nobody protecting her from the structure. A deal that belonged to a bank's calendar. A seller with a number in her head that nobody else could see. An outside event with no second path. An owner who wasn't ready, and a buyer, me, who had bought by somebody else's rules.

Not one of them failed because the business was bad. They failed on structure, on time, on expectations, or on readiness. Every one of them is a lesson in competence and character, mine or somebody else's, and every one of them changed the next deal. Every one of those is something you can build for. That's what the Shared Success Plan is: not a way to pay for a business, but a way to build the deal for the thing that's going to go wrong. Payments that follow the revenue. A pause that's already in the

agreement. A valuation everybody agreed on in writing. A transition where the people who make the revenue have a reason to stay. A seller who told you what he actually wanted before you priced anything.

The failure	What broke	What it changed
The one I did wrong myself	A bank loan on somebody else's rules, and my property pledged against it	The business carries the deal. Nobody pledges the house
The buyer talked out of the plan	A fixed note on revenue that left	The advisors see the structure before closing. Every plan says what happens if an account goes away
The deal that died waiting	A loan approval two days late	No deal waits on one approval past ninety days without a second path
The offer that was withdrawn	An outside event with no second path	Never one path. The pause is in every agreement
The seller who wasn't ready	Readiness treated as a number	Ask what would make you say no, in the first real conversation
The valuation that killed the deal	A number from three people who never see the drivers	The valuation in writing, with sources, before the offers

Five years from now, the deals in Chapter 13 will still be paying and the people in them will still be glad, and the family will be bigger. The deals in this chapter are why. The next chapter is what ten years of doing it right adds up to.

CHAPTER 16

The Math That Makes Millionaires: Ten Years of Buy, Reinvest, Repeat

Chapter 15 was what breaks. This chapter is what ten years of doing it right adds up to.

Everything in Part Two so far has been one deal at a time: how to pay for a company out of what it earns, and how to hand it over so the people and the customers stay. Now run it for ten years. I'm going to put the arithmetic in the open, with round numbers, so you can check every step and run your own. It's an illustration, not a projection of your business. But it's the reason the wealthy love this, and I want you to see it before we go look at how they've done it for a hundred and fifty years.

Buy, reinvest, repeat

The smartest thing to do once you start rolling up and making more money is to keep reinvesting it. You might want to buy some things after a while. Be disciplined. Keep putting the profits back in.

Here's why. Chapter 3 showed you the arbitrage: the moment you fold a company bought at three and a half times into a company worth six, its earnings are worth almost twice what you paid for them. Why not keep doing it? The larger your earnings grow, the more your business is worth, and the more you can buy. Stay disciplined for a little while and you can grow at a level that organic growth will never touch. As you get bigger, you'll start to attract outside investors, it'll be easier to work with banks, and the momentum builds on itself. Knowing how to buy companies and fold them in is the skill that lets you grow a company from two million to twenty million in five to seven years.

Buy, reinvest, repeat. When something works, why not keep doing it? Take the handoff, build it up, take the next one. That is the whole

playbook in six words. Run it for ten years, and you're not holding a portfolio. You're holding a family of companies.

Ten years, in round numbers

Say you own a two-million-dollar company earning four hundred thousand dollars, twenty percent. Sold on its own today, in the Sizing Ladder ranges from Chapter 3, at three and a half times earnings, it's worth about one million four hundred thousand.

Now run the play. Each year you buy a company at about twenty-five percent of your size, fold it in, and keep the margins where they are. That alone grows revenue about twenty-five percent a year. Here's what the same company looks like at the start, at five years, and at ten.

	Today	**Year 5**	**Year 10**
Revenue	$2.0 million	$6.1 million	$18.6 million
Earnings at 20 percent	$400,000	$1.2 million	$3.7 million
Multiple (Sizing Ladder)	3.5 times SDE	5 times EBITDA	6 times EBITDA
What the company is worth	$1.4 million	$6.1 million	$22 million

Arithmetic on round numbers: revenue compounds at twenty-five percent a year; earnings held at twenty percent of revenue; multiples are the mid-ranges of the Sizing Ladder for each size. Not a projection.

Look at the last line. The same business, run the same way, is worth about sixteen times more in ten years because of what it was built into. About half of that gain is growth in earnings. The other half is the multiple: the company crossed from the bottom of the ladder, where an individual buyer pays three and a half times the owner's earnings, to the top, where investors pay six times the earnings of a platform with a management team. That's the arbitrage, compounded.

> **From the book to the tools · Buy, Reinvest, Repeat**
>
> Ten years of the play with your own numbers, and the size rule checked every year.
>
> growthroughacquisitions.com/tools/ten-year

What you actually put in

People look at that table and ask where the money comes from. Here's the honest answer, and it's the reason for two rules you've already read.

The first is the size rule. In year one you're buying a company at twenty-five percent of your size: about five hundred thousand in revenue, a hundred thousand in earnings, around three times earnings, three hundred thousand dollars. With a Shared Success Plan, a roll-up buyer typically puts forty to sixty percent down and pays the rest from the revenue the business collects. Half down is a hundred fifty thousand, out of the four hundred thousand your company earned last year. That's what "it tucks in" means. It doesn't stretch your cash.

The second is reinvesting. By year ten the company you're buying is nearly four million in revenue and the price is around three million. Half down is a million and a half, out of earnings of about three million that year. The proportion never changes. Each year's acquisition is paid for by last year's reinvested profit and this year's collected revenue, and the business you bought carries its own payments. That's why the down payment comes from the company, not from your house, and why the play can be run ten times instead of once.

What the table leaves out

It leaves out things that make the number bigger, and things that make it smaller. Be honest with yourself about both.

What makes the number bigger	What makes it smaller
Central services (Chapter 28): one back office instead of ten lifts the margin, and every point of margin at year ten is worth six times itself	Skipping a year, which you will, because you couldn't find the right company or your team needed to catch its breath
Cross-selling between the companies you've combined	A bad deal, which Chapter 15 is about
Buying at thirty percent of your size instead of twenty-five	The cost of integration, which is real even when it goes well
Paying less than three times when the seller's needs are met by structure rather than price	The shift from an owner's earnings to a platform's: around year four or five a management team and a fair wage for your old job come out before EBITDA is counted. The table holds margins flat through that shift

Run it with your own numbers. The calculators that go with this book do exactly this, year by year, with the size rule and the down payment built in. The point isn't the twenty-two million. It's that the same company, run the same way, ends up in a different place on the ladder because of what it was built into.



Ten years of buy, reinvest, repeat.

Owning businesses, not paper

I'll say something here that a financial advisor won't, and I'm not one. I believe in building real wealth by owning businesses. When you invest in your own company, you have control over the outcome. You're not a passenger on somebody else's ride, at the mercy of a market you can't influence. A business with predictable cash flow is more knowable than a stock price. You can structure it and grow it and watch the value you're building show up in real time. And when you grow it by acquisition, you're compounding something you control.

Most business owners are the largest shareholder in their own company. Growing that company's value is how most of the owners I know have built real wealth, and a roll-up is the most reliable way I've found to grow it. In the right business, done right, the returns are well above what most people expect from anything else they own, and the money is working in something you understand. That's not advice about your portfolio. It's a statement about where I've watched the money get made.

Taxes and lawyers, in one paragraph each

I'm not a CPA and the rules change, so I'm not going to tell you what the tax rules are. I'll tell you that a seller taking payments over time and a buyer paying for a business over time both have things to talk through with their CPA before the term sheet, not after, and that a structure which is good for one side's taxes and bad for the other's is not a finished structure. The same goes for the paper. A Shared Success Plan can be as simple as a page that says who does what, and I've done them that way, but the agreements are your attorney's work. Bring the structure to him built. Don't ask him to invent it, and don't let him talk you out of it without asking who the buyer is.

Talk to your CPA about	Your attorney builds
How the price is allocated	The purchase agreement
Asset sale or stock sale	The non-compete
How payments received over several years are treated	The transition agreement
What a buyer can deduct, and when	The protections for both sides

Why the wealthy love it

That's the math. The same earnings are worth more inside a bigger company. Every acquisition makes yours bigger. The business pays for the acquisitions, so the play can be run again and again. And the person running it is the largest shareholder, so every dollar of value it creates is his.

Private equity has known this for fifty years. Rockefeller knew it in 1872. The next part of the book is the proof: four men who built the largest fortunes in American history this way, the companies still doing it today, and the professionals who do it with other people's money, along with the one thing none of them can do that you can.

PART THREE

The Proof

It's been done before

CHAPTER 17

The Titans: Rockefeller, Carnegie, Morgan and the Rise and Fall of Sears

Part Two gave you the method. This is the proof it is not new.

The roll-up is not new. Four men built the largest fortunes in American history with it, in four different industries across forty years, and between them they invented the four types from Chapter 2. Rockefeller bought his competitors. Carnegie bought his supply chain. Morgan assembled an industry from a bank. Sears assembled everything a customer needed under one trusted name, and then, a century later, showed what happens when a company built on trust is run to strip value instead of create it.

Let me say up front how I want you to read this chapter. I'm not a historian, and there's no way for me to know every industry. I just want to learn from history, the same way I'd sit with an owner who's done something I haven't and ask him how. So let's learn from these four: what each one saw, what he did about it, how each one had to think differently and build his team differently, and the part you must never copy. I've had every date and figure in this chapter checked twice, because the version of these stories that gets passed around is full of invented quotes and rounded-up legends, and I don't want to come across as hype. The strategy is powerful enough without it. The full tellings are in the video series that goes with this book. After each story I'll tell you what I took from the man, because that's the part I can actually vouch for.

Rockefeller: competitors are partners who haven't been asked yet

In early 1872 Cleveland had twenty-six oil refineries. They bought crude from the same fields, shipped on the same railroads, and sold to the same customers. Refining capacity had run far ahead of demand, and the price-

cutting that followed was bleeding most of them. Clark, Payne and Company, the biggest of Rockefeller's rivals, lost money in 1871.

Rockefeller's own company was not dying. Standard Oil of Ohio was profitable, and on the first day of 1872 it raised its capital to fund what came next. He had seen what his competitors had not: the price war would kill them one at a time, and the survivor would be whoever could buy the rest first. There was one more piece, and the history books are right to put it at the center. Rockefeller and a group of refiners had quietly arranged rebates with the railroads through the South Improvement Company, and when the arrangement became public in February 1872, the other Cleveland refiners understood they could not survive against a competitor who paid less to ship than they did. That is the leverage behind what happened next, and I'm telling you so you don't learn the strategy without learning the part you must never copy. The roll-up works without a rigged railroad. It has to.

In the first three months of 1872, Rockefeller bought twenty-two of the twenty-six refineries, in what historians came to call the Cleveland Massacre. His first target was his largest competitor, Clark, Payne and Company, which sold for four hundred thousand dollars; Oliver Payne, instead of running a competing refinery, became the treasurer of Standard Oil and stayed twelve years.

Every seller was offered the same two choices: cash, or stock in Standard Oil. Most took cash, and most of them later regretted it. The ones who took stock owned a piece of what became the largest oil company in the world, valued at seventy million dollars when the Standard Oil Trust was formed in 1882.

Rockefeller always said he paid generously. The sellers said he paid a fraction of what the refineries cost to build and nothing for goodwill. Both are partly true, and that argument is exactly the argument every buyer and seller in this book will have. What made it work was not the price. It was that the man buying could do more with the assets than the men selling could. He kept and recruited the best people, including men who

had fought him: John Archbold, who led the fight against the South Improvement Company, joined Standard Oil three years later and eventually became its president. And the combined operation was run better than the separate ones had been.

Three principles came out of Cleveland, and every horizontal roll-up since has followed them. Fragmentation is the opportunity: every city today has dozens of heating and cooling contractors, scores of dental practices, and more service firms than anyone can count. Competition on price destroys value: his competitors were not enemies, they were future partners suffering from the same problem he was. And combination creates value the parts did not have: volume pricing, better terms from banks, money for equipment, and, for the owners who stayed in, a share of something worth many times what they sold. The template held, from Duke's American Tobacco and Durant's General Motors to Huizenga's Waste Management and the dental and funeral-home roll-ups of today.

What I took from Rockefeller

Picture those twenty-six owners in the winter of 1872. Every one of them had been undercut by the others. They didn't know whether to punch each other in the face over the deals they'd lost, or to respect each other and have a conversation. Rockefeller is the one who made the conversation happen. He wasn't jumping on Zoom calls and he wasn't sending cold email. He took the train, sat across the table from these men, and made the offer. That is the first thing I took from him, and it's Chapter 22 of this book: the deal starts with a conversation between two owners who have the same problem.

The second is the offer itself. Cash, or a piece of something bigger. The men who took the cash got paid once. The men who took the stock shared in the success going forward, and their families are still living on it. I'm not going to claim Rockefeller invented the Shared Success Plan, but I'll tell you that the plan in Chapter 12 is the same choice, built for Main Street: the seller who stays in the success, instead of taking the check and walking away, is the one who does better. Rockefeller made partners out

of competitors. That's the whole spirit of this book, and he did it a hundred and fifty years before I was in the business.

The third is quieter. He was a devout Baptist who taught Sunday school and tithed from his first paycheck, and the family he built secured multiple generations. Chapter 30 is about that. Systems create empires, and the systems he built outlasted him by a century. I just want you to see that the greatest roll-up in American history was run by a man who kept his books, kept his word to the men who joined him, and kept his faith. Then don't copy the railroad.

Carnegie: own the thing that makes the money

The Carnegie family left Scotland in 1848 so poor that they borrowed the money for the passage. Andrew was twelve. At thirteen he was a bobbin boy in a Pittsburgh cotton mill for a dollar and twenty cents a week; by eighteen he was the personal telegraph operator for Thomas Scott of the Pennsylvania Railroad. The turn came when Scott asked whether he could find five hundred dollars to invest in ten shares of the Adams Express Company. He didn't have it. His mother mortgaged the family's house to raise it. The first dividend check was for ten dollars, and Carnegie wrote later that it was the first money he had ever received that he had not worked for: he had found the goose that lays the golden eggs. That is the whole owner's mindset in one sentence. Money that comes from what you own, not from what you do.

By 1872 Carnegie owned several small iron companies, and a trip to England convinced him that the Bessemer process for making steel was the future. He was not the pioneer; several American works were already running it. What set Carnegie apart was not the furnace. It was the question he asked about everything around it: what does it take to make steel, from beginning to end, and who owns each piece? Iron ore. Coal, turned into coke. Limestone. Railroads and ships. Docks. Skilled people. Everyone else bought those things at market price from someone else. Carnegie set out to own them. One honest note: historians call this vertical integration and make it sound like a master plan. It wasn't, not at

first. The moves were opportunistic, one at a time, and the strategy is what it looks like in retrospect.

For fuel, rather than build his own coke ovens, Carnegie bought into the man who already had them: a stake in the H. C. Frick Coke Company in the early 1880s, about three quarters of it by 1888, which also gave him Frick, who would run Carnegie Steel. For ore, he got into the Mesabi Range through Henry Oliver's mining company and, by 1896, a lease on Rockefeller's ore holdings that gave him the richest ore in the country at a cost his competitors could not match. Then the ore ships, the docks on Lake Erie, and a railroad from the docks to the mills.

By 1900 Carnegie Steel earned about forty million dollars in a year. He could undersell most rivals in America and still make record profits, because they paid market prices for ore, coke and freight, and he paid cost. The supplier's margin was his; a spike in the price of ore landed on the rival who bought it; and competitors could not match his prices without losing money, and could not buy his suppliers, because he already owned them. The one thing the record does not support is that his steel was better. His advantage was cost, not quality.

Carnegie also spent his career turning the people around him into owners. Frick was made a major partner instead of being kept as a supplier. Charles Schwab started as a stake driver at a dollar a day and held a partnership interest by the 1890s. When Carnegie offered a partnership to Captain Bill Jones, the brilliant manager of the Edgar Thomson works, Jones said he'd rather have a very large salary, and in Carnegie's telling the salary of the President of the United States became his. The offer is the point. Carnegie made it.

In 1901 Morgan needed Carnegie's company as the cornerstone of U.S. Steel. Carnegie wrote his price on a piece of paper, four hundred eighty million dollars, and Morgan accepted it without haggling. The story, told often and never firmly sourced, is that years later Carnegie said he should have asked for a hundred million more, and Morgan told him he would have got it. Take both halves. The vertical chain made Carnegie the one

company Morgan had to have. And even the man who built it undersold it. The Business Valuation Playbook exists so that you don't.

What I took from Carnegie

The ten-dollar dividend. A bobbin boy who'd worked for every nickel got a check for money he hadn't worked for, and it changed how he saw everything. That's the shift Chapter 1 asked you for, from operator to investor, and it's the shift I watch owners make when the first monthly payment from a company they bought lands in the account. The business you bought is working while you sleep. Once you've felt that, you can't go back to one customer at a time.

The second thing is the coke ovens. Carnegie didn't build his own. He bought into the man who'd already built them, and he got Frick in the bargain. Buy the capability you don't have from the people who already have it. That's Cisco buying Crescendo in the next chapter, it's the vertical handoff Uncle Dave took when a piece of his workflow was going out the door to somebody else's shop, and it's why I keep telling owners that the piece of your supply chain you pay somebody else for is a company you could own.

The third is that he made his managers owners, and the one who turned it down got the biggest salary in the country instead. Chapter 30 is about giving the people who make the revenue a way to own a piece of it, and Carnegie was doing it in the 1880s. And the last thing, the one I'd put on a wall: the man who built the most valuable industrial company in the world didn't know what it was worth, and left a hundred million on the table. Know your number. That's what the Playbook is for.

Morgan: you don't have to be the expert. You have to conduct the experts.

J. P. Morgan never built a refinery or a mill. He sat in his office at 23 Wall Street and rearranged American industry. He was born into money; what he added to it was a conviction that the ruinous competition Rockefeller

saw in Cleveland was the disease of every American industry, and that a banker who could bring the owners together and finance the combination could cure it. He reorganized one bankrupt railroad after another, so often that the word for it became "Morganization," and in the Panic of 1907 he locked the leading bankers in his library until they agreed to stand behind the banks of New York. There was no Federal Reserve. For a few weeks, Morgan was the Federal Reserve.

On December 12, 1900, at a New York dinner honoring Charles Schwab, the president of Carnegie Steel, Schwab made the argument that the steel industry was a handful of rival combinations cutting each other's prices, and that one integrated company, from ore to finished product, could end the price wars at once. Morgan was so absorbed that he forgot to light his cigar. The plan took shape three weeks later at an all-night meeting at Morgan's home, Carnegie wrote his figure on a slip of paper, and the two principals never negotiated.

Let me correct a version of this story you'll read elsewhere, and that I told myself in an earlier draft. U.S. Steel was not a collection of unrelated businesses. It was ten companies in one industry, stacked from the ore to the finished product. That is a financial roll-up: a banker assembles an entire industry's chain into one company, pays for it with paper, and installs governance over it. The word conglomerate, for a company that owns unrelated businesses, belongs to the 1960s, not to Morgan.

U.S. Steel began operating on April 1, 1901, capitalized at one billion four hundred million dollars, the first billion-dollar corporation in the world, and larger than the entire federal budget. There is a story that Morgan discovered a formula: separate companies worth three to five times earnings become worth ten to fifteen times as one. Nobody computed multiples like that in 1901, and I won't put words in his mouth. What the record shows is more useful to you. The company was capitalized at about twice what the government later estimated its tangible assets were worth. The premium was the market's bet on what a company controlling most of American steel could earn. A combination is worth more than its parts when the combination can do something the parts cannot: hold price, cut

cost, or give a buyer certainty. The premium is real when the earnings behind it are real. When it is only paper, it is water, and it drains.

Morgan did not run steel plants. He kept the plant managers, put Elbert Gary in the chairman's seat and Schwab in the president's, and governed from the board. Schwab, an operating man, chafed under the bankers and was gone by 1903. That friction between the people who run companies and the people who finance them is the oldest tension in this business, and you will feel it in your own roll-up the day you bring in a capital partner. He did the same thing again and again: General Electric, International Harvester, and the Bell System, where Theodore Vail bought up the independent telephone companies with Morgan's money.

Congress eventually counted his firm's directorships in the hundreds, across corporations with resources of twenty-two billion dollars, and the trust-busting era followed. Build wealth, but share it. Create the structure, but don't become the emperor. Three principles run through all of it. Capital and structure over operations. Governance is the product: his own people on the board, held to the numbers, and the plant left to the plant manager. And the deal creates the value only if the earnings are there.

What I took from Morgan

I'll be honest: I picture Morgan in that library in 1907 with a cigar and a glass of bourbon, and for all I know he hated bourbon. But the picture is useful, because it's the picture of a man who never ran a mill and still put the steel industry together. He didn't have to be the expert. He had to find the experts, put them in a room, finance what they agreed on, and then get out of the plant and govern from the board. That is the closest thing in this chapter to what I actually do for a living. I'm a connector. I've never run a transcription company or a testing lab, and I've helped buy and sell a lot of them, because the owner already knows the business and what he needs is somebody who knows the deal.

The second thing I took from him is the one I want you to take, and it's the opposite of what you'd expect from a banker. Morgan was the money in every one of those deals, and the men who ran the companies chafed under him from the first year. The friction between the people who finance and the people who operate is real, and on Main Street you don't need Morgan. The business is the bank. That's Part Two. You finance the deal out of what the company collects, the seller shares in the success, and nobody from Wall Street gets a seat on your board.

And the last thing: he became the emperor, and Congress came for him. Build wealth, but share it. I believe you have a bigger opportunity today than Morgan and those men had, because the owners around you need a buyer and he had to force the issue. Don't waste it by trying to own the whole table. Sit on the same side of it.

Sears: be the name the customer trusts for everything

In 1886 a shipment of watches arrived at the North Redwood, Minnesota station, and the local jeweler refused it. The station agent, Richard Sears, was twenty-two. Instead of sending the box back, he got the manufacturer's permission to sell the watches himself and wired other station agents down the line to offer them. Within six months he had cleared about five thousand dollars, enough to quit the railroad. What he had seen was a broken connection. Farmers needed goods and traveled hours to a town that often didn't have them. Manufacturers in Chicago and New York had warehouses full of goods and no way to reach the farm. The railroad and the mail could close the gap, if somebody the farmer trusted stood in the middle.

He moved to Chicago in 1887 and hired Alvah Roebuck, a watchmaker who answered his newspaper advertisement. Their first catalog, in 1888, ran eighty pages, mostly watches. By 1900 Sears had passed Montgomery Ward as the largest mail-order house in the country.

Here is where I have to correct something you'll read in a lot of places. Sears was not a platform that took a cut of other people's sales and

carried no inventory. It was a merchant. It bought goods wholesale, warehoused them, sold much of it under its own brand names, and took ownership stakes in some of the factories that supplied it. In the farm depression of 1920 and 1921 the company was left with warehouses full of unsold goods, and Julius Rosenwald pledged twenty-one million dollars of his own fortune to keep it solvent. That is what standing behind your ecosystem costs. Two men built it. Richard Sears was the promoter and the copywriter, the voice of the catalog. Rosenwald, a partner from 1895 and president from 1908, built the operating system: the Chicago plant that got about twenty thousand orders a day out the door, and the stock offering that funded it. Every ecosystem needs both, and it is rare for one person to be both.

Nothing shows the reach of the trust Sears built like the houses. From 1908 to 1940, Sears sold more than seventy thousand homes through the catalog, pre-cut lumber and all, and from about 1911 it lent buyers the money itself. A farmer trusted a catalog enough to buy a house he had never seen, and to borrow the money for it from the same company. The guarantee that carried all of it, satisfaction guaranteed or your money back, was not Sears's invention; Montgomery Ward had offered it since the 1870s. Sears copied it and made it famous. You don't have to invent the trust mechanism. You have to honor it.

Then Sears kept adding what its customers needed: stores from 1925, Allstate Insurance in 1931, the Kenmore and Craftsman house brands, Dean Witter and Coldwell Banker, the Discover card. In 1964 it became the largest retailer of any kind in the United States, and it held that title until Walmart passed it in 1990.

I told you this titan's story has an ending, and you should know it before you copy him. In 2005 Kmart bought Sears under the hedge fund manager Eddie Lampert. Over the next thirteen years the company sold Craftsman, spun off Lands' End, moved store properties into a real estate trust Lampert chaired, closed more than three thousand stores, and starved the ones that stayed open. Revenue fell from about $50 billion to

under $17 billion. On October 15, 2018, Sears Holdings filed for bankruptcy.

That is the dominant account in financial journalism: the company was run to extract value instead of create it. Lampert and his fund denied wrongdoing, and the matter was litigated, not settled in the press. Whatever the courts decided, the pattern is what matters to you.

The ecosystem Rosenwald built worked for a century because it existed to serve the customer, and everybody in it, the suppliers, the builders, the employees, made money. The moment the company was run to extract value instead of create it, the trust that held the whole thing together drained out, and once trust is gone in a business built on trust, there is nothing left to sell. This book teaches you to build. It does not teach you to strip.

What I took from Sears

Sears is the titan I use most, because he's the one owners recognize themselves in. I'm working with an owner right now in home services. He started in used appliances, he's added heating and cooling, he's looking at car washes, and he thinks like Sears without knowing it: once you're in the house and the customer trusts you, why not the dryer vent, the filters, the water, the air quality, the security system? One trusted name, everything the customer needs. I told him on the call, this is what Sears did, and he perked up. Sears 2.0 is a catchy name for a lot of Main Street roll-ups that haven't been built yet, and the ecosystem play in Chapter 2 is where you'll find it.

Two things to take, and they're the two halves of the story. The first is Rosenwald. Richard Sears was the voice, the promoter, the man who could sell a house out of a catalog, and the company nearly died twice before Rosenwald built the operating system behind him and then put twenty-one million of his own money behind the shelves. The ecosystem is only as good as the back office under it. That's Chapter 28, and it's why the platform comes before the fourth and fifth add-on, not after.

The second is the ending, and I made myself learn it before I let myself admire him. I remembered Sears as powerful; I didn't remember why it died. It died when it was run to take value out instead of put value in, and a business built on trust has nothing left once the trust is gone. Every roll-up in this book is built on the same thing Sears was built on. The seller trusts you with his people. The customers trust the name on the door. Strip it and it drains. Serve it and it compounds for a century.

The four, on one page

The titan	The play (Chapter 2)	What I took from him
Rockefeller	Horizontal: twenty-two of twenty-six competitors in three months	Competitors are partners who haven't been asked. Cash or a piece of something bigger, and the ones who stayed in did better
Carnegie	Vertical: the ore, the coke, the ships, the docks, the railroad	Buy the capability from the man who built it. Make your managers owners. Know your number
Morgan	Financial: an industry assembled from a bank and governed from the board	Conduct the experts. Don't be the emperor. On Main Street, the business is the bank
Sears	Ecosystem: everything the customer needs under one trusted name	The back office under the name is the business. Serve the trust and it compounds; strip it and it drains

Your version

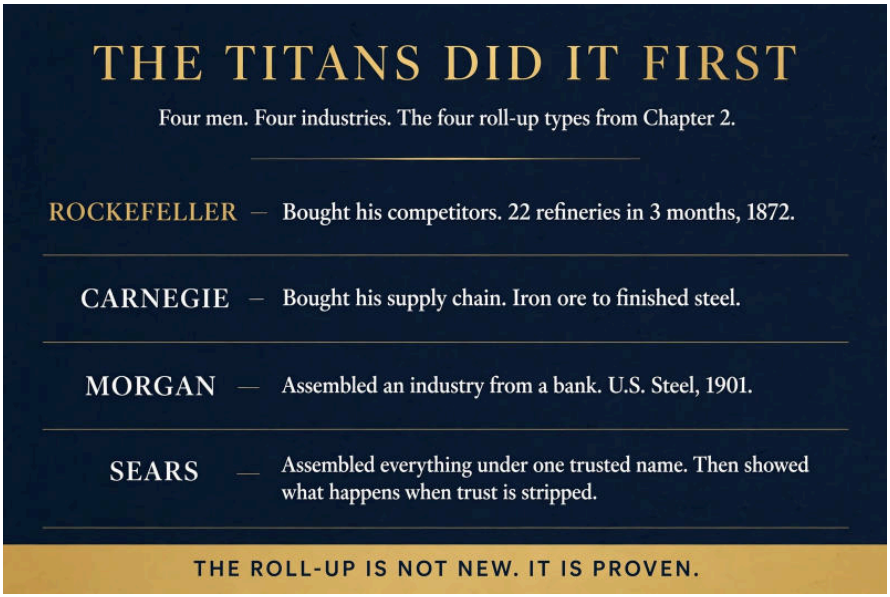
You may be thinking some of the things they were told. That you need to be an expert in everything. That you need a lot of money to start. That you have to beat the competition. That you have to control the whole process.

Here is what the four of them would say back. Orchestrate experts. Structure the deal so the business pays for itself, which is Chapter 12. Turn competitors into partners. Connect rather than control. And you

have advantages none of them had. They had to make owners sell who had no reason to; the owners around you are aging out and need a plan for who takes over. They had to create demand; you have a customer base that already exists. They faced resistance; a good buyer with a fair structure is welcomed. They ran empires by telegraph; you have every tool they lacked.

The way of seeing that built the greatest fortunes in American history is available to you right now. The playbook hasn't changed in a hundred and fifty years.

And it is not history. The biggest companies alive are still running it, this morning. That is the next chapter.



The titans did it first.

CHAPTER 18

The Playbook Never Changed: Buffett, Amazon and Why Big Companies Never Stop Acquiring

The titans ran it with banks and telegraphs. The biggest companies alive run it this morning, with wires and data rooms.

I get emails from private equity every day. They all say the same thing: we have a platform, and we're looking for acquisitions in this space. The titans in the last chapter are history. This chapter is this morning. The biggest companies alive are running the same play Rockefeller ran in Cleveland, and I want you to see how much of what you buy from, bank with, search on and ship through was assembled rather than built. Every figure in this chapter has been checked against the record, and where I used to say something I can't source, I'll tell you.

The modern Morgan

Warren Buffett didn't build Berkshire Hathaway by starting companies. He bought them. That's how the man made his living, and it's the clearest modern example of what Morgan did from a bank: buy a company at a smaller multiple than it's worth inside the bigger one, and the moment it's inside, it's worth more.

One correction to how I used to tell this. Calling Berkshire a roll-up isn't quite right. A law professor named Lawrence Cunningham puts it better: Berkshire is a permanent-capital holding company. A roll-up consolidates, integrates, and exits. Buffett buys, leaves the managers alone, and never sells. It is acquisition-driven, but it is the opposite of the private-equity playbook.

The story starts with what Buffett himself called his dumbest investment. In 1965 he bought a failing textile mill in New England called Berkshire

Hathaway. Two years later he used it to buy an insurance company, National Indemnity, for eight million six hundred thousand dollars, and the insurance float, the premiums held before claims are paid, became the capital for everything after. That float is more than a hundred seventy billion dollars today. See's Candies in 1972 for twenty-five million. Nebraska Furniture Mart in 1983, a handshake deal with no lawyers. The BNSF railroad, announced in late 2009 and closed in February 2010, at about $34 billion in total equity value. Precision Castparts in 2016 for $32 billion. Four hundred million shares of Coca-Cola bought between 1988 and 1994 for about one billion three hundred million, worth about twenty-eight billion at the start of 2025. Berkshire Hathaway crossed a trillion dollars in value in August 2024.

Here's the part to copy. Berkshire has dozens of operating businesses, insurance and candy and furniture and railroads and energy, and Buffett doesn't run any of them. Each is run by its own managers, and he has said his job is two things: attract and keep outstanding managers, and allocate the capital. That is Morgan's rule from Chapter 17, alive today. Keep the great operator operating, and keep the capital and the governance at the center. You don't have to be Buffett. You have to think like him, and the thinking is what I gave you in Chapter 1: buy companies and improve them instead of building everything from scratch.

The Sears of our time

Amazon started as an online bookstore and became the everything store, and it did it the way Sears did: one trusted name, and behind it everything the customer needs, bought or built one piece at a time. Marketplace for other sellers in 2000. Amazon Web Services in 2006. Kindle in 2007. Kiva Systems, the warehouse robots, bought in 2012 for seven hundred seventy-five million. Whole Foods in 2017 for thirteen billion seven hundred million. Ring for a billion. MGM for eight and a half billion. One Medical for three billion nine hundred million. Its own delivery vans and an air cargo fleet of about a hundred aircraft by early 2025. About a hundred and twenty-five acquisitions in all, and a company

worth about three trillion dollars. One honest note: Amazon is a disciplined buyer by Big Tech standards. Most of those hundred and twenty-five are small tuck-ins, not blockbusters. It buys constantly, but it buys carefully.

That's a vertical roll-up and an ecosystem roll-up at once, at a scale Carnegie and Sears could not have imagined, and it is the same idea. Own the pieces the customer's experience depends on. Jeff Bezos, like Buffett, built through acquisition with an investor's mind. They're visionaries, but technically they're investors as much as builders, and that's the second skill this book is about.

The list, with the numbers checked

I used to say that eighty-nine percent of the Fortune 100 companies actively pursue acquisitions. I did a deep dive years ago and that was the number I came away with. I can't show you the study, and neither can anybody else I've asked, so I'm not going to give you the number anymore. I'll give you the record instead, because it makes the point better than a percentage.

Company	Acquisitions	A few of them
Microsoft	More than 200	LinkedIn, $26 billion. GitHub, $7.5 billion. Nuance, nearly $20 billion. Activision, $69 billion
Alphabet (Google)	More than 200	YouTube, $1.65 billion in 2006, worth more than $200 billion today. Android, $50 million, now on about seventy percent of the world's smartphones. DoubleClick, $3.1 billion. Waze, just under $1 billion. Fitbit, $2.1 billion. DeepMind, where its lead in artificial intelligence came from
Apple	More than 114, mostly small and quiet	Siri, $200 million in 2010. AuthenTec, the fingerprint sensor company. PrimeSense, 3D sensing. Beats, $3 billion. Intel's modem business, $1 billion
Meta	More than 80	Instagram, $1 billion. WhatsApp, $22 billion. Oculus, $2 billion
JPMorgan Chase	More than 1,200 predecessor banks	Chase Manhattan, Bank One, Bear Stearns, Washington Mutual
Walmart		Jet.com, $3.3 billion. Flipkart, $16 billion
ExxonMobil	Itself a merger	XTO Energy, $41 billion. Pioneer Natural Resources, $59.5 billion
Cisco	More than 200 since 1993	Crescendo Communications, about $90 million in stock, below

Under Satya Nadella, Microsoft's value grew from three hundred billion to three trillion in a decade, and it kept buying the whole way. It isn't only technology: the largest bank in the country is the product of more than twelve hundred banks. Cisco's first one is worth a closer look, because it's the Main Street decision at Wall Street scale. In September 1993 Cisco dominated routers and had no switching product. Rather than build one, it bought a small company called Crescendo Communications for about

ninety million dollars in stock. The switching business that grew out of Crescendo, the Catalyst line, was doing about five billion dollars a year by 2000. Buy the capability you don't have from the people who already built it. That's Carnegie buying Frick's coke ovens. It's also the couple in Chapter 29 who spent a million dollars trying to build software in an industry they didn't know, told the other way.

The one who did it with a garbage truck

The best modern story for a Main Street owner isn't a technology company. It's Wayne Huizenga, whose grandfather had a garbage truck.

On February 14, 1962, at twenty-four, Huizenga borrowed five thousand dollars, bought a used truck and a route of about twenty commercial accounts in Broward County, Florida, and called it Southern Sanitation Service. He bought more routes from the owners who had them, one at a time. In 1968 he combined his company with Dean Buntrock's Ace Scavenger in Chicago to form Waste Management. It went public in June 1971 and made dozens of acquisitions in the eighteen months after. By 1984 it was the largest waste hauler in the United States. It does more than twenty billion dollars a year today. Huizenga went on to build Blockbuster and AutoNation the same way, three Fortune 500 companies from scratch, and died in 2018 worth two billion eight hundred million dollars.

Here's why he's my favorite of the modern ones. He didn't start with a fund. He started with one truck and twenty accounts, and he took all the little garbage companies, little Main Street guys with a route and a truck, and brought them together one at a time. Every one of those owners was Uncle Dave. Some of them took the handoff and became part of something that does twenty billion dollars a year. That's the whole book, in a garbage truck.

Every one of those garbage routes was a Main Street business with an owner who was tired, a truck, and a list of customers who paid every

month. That's the whole book in one man's career. Buy the route. Fold it in. Buy the next one.

Why they never stop

If most big acquisitions fail, and the studies say most of them do, why do the biggest companies keep buying?

Because the ones that work make the company. YouTube, Android, Instagram, Crescendo, National Indemnity: each of those is a small check that became a large part of what the acquirer is. And because buying is faster than building, and often the only way. Cisco could not have built switching in time. Google could not have built YouTube after YouTube existed. Microsoft could not have hired LinkedIn. When growth is the job, and for a public company it always is, the fastest reliable way to add revenue, customers and capability is to buy a company that already has them. That's exactly the argument I made to you in Chapter 1 about hiring: it's easier to buy ten trained people than to hire them, and at their scale it's easier to buy ten thousand.

And here's why the failure rate doesn't scare me the way it should scare a Wall Street shareholder. Look at how the failures happen. Somebody pays too much with other people's money. Integration is done by memo. The executives who did the deal walk away with a parachute when it goes bad. Yahoo bought a lot of companies and, in my view, destroyed most of them, and the people who made those decisions still walked away with their parachutes. That's the Gekko version, and this book has spent eleven chapters teaching you the other one: pay out of what the business earns, keep the people who make the revenue, integrate by showing up, and put your own name on the result.

General Electric is the warning at the top of the ladder. Morgan assembled it in 1892, and for more than a century it was the conglomerate everybody studied. In 2024 it finished breaking itself into three companies. A platform earns its premium only while the combination does something the parts couldn't, and the market will

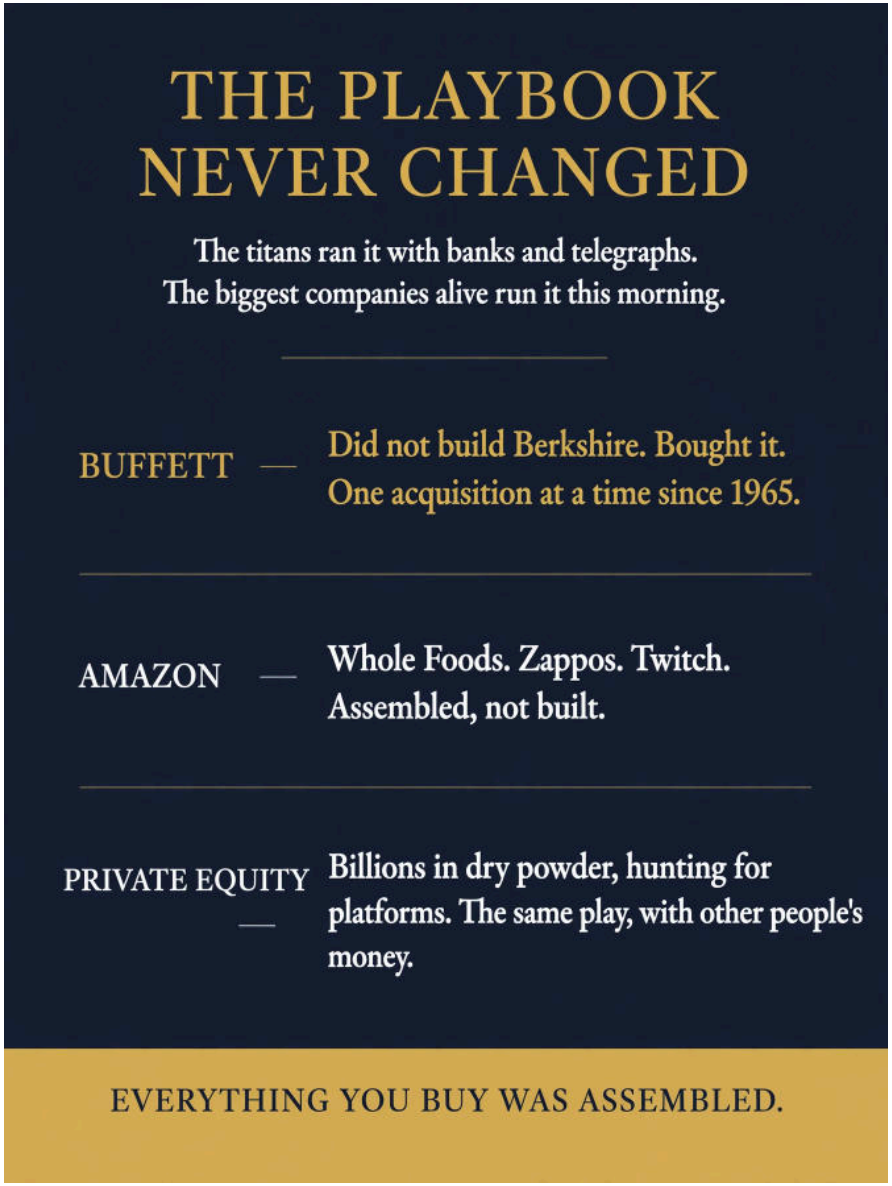
eventually take back what isn't earned. That was Sears in Chapter 17, and it's the same lesson at any size.

What it means for you

The playbook hasn't changed in a hundred and fifty years. Find the platform. Stack the add-ons. Keep the operators operating. Own the pieces your customer depends on. Buy the capability instead of building it. Reinvest. Repeat. Buffett does it with insurance float and Huizenga did it with a truck, and the only difference between them and you is the zeros.

There's one more group that runs this play, and runs it more systematically than anyone: the private equity firms that send me those emails. They've turned the roll-up into a formula.

The next chapter is the formula, along with the one thing it can't do that you can.



The playbook never changed.

CHAPTER 19

How Private Equity Does It, and What It Can't Do

Buffett buys and holds forever. Amazon buys small and steady. Now the group that turned the whole thing into a formula.

I've worked with private equity for about fifteen years, on the other side of the table from them more often than not, and sometimes on a call with a fund I feel like an interpreter. They throw the jargon around, and I have to tell my client what it actually means, which is usually something a Main Street owner already understands: how much money is it making, and how much goes in my pocket. This chapter is the translation. Private equity has turned the roll-up into a formula, and the formula is worth learning, because you're going to run it yourself. Then I'll tell you the one thing they can't do that you can.

The formula

A private equity firm raises a fund from investors, and its whole job is a return on that money. Its playbook for getting it is the one in this book.

Find a platform company. A business that's very good in its niche, with strong operations, good leadership, and the systems in place to stack other companies onto. That's what they're looking for when they raise money, and it's what every one of those emails I get is asking for.

Buy it, and then aggressively buy add-ons. Bolt-ons, they call them: smaller competitors and neighbors, folded into the platform to get the efficiencies and the scale. They buy as many as they can, because every one of them is bought at a smaller multiple than the platform carries. Buy at three or four times earnings, get the platform over five million in EBITDA where it trades at seven to ten, and you've effectively doubled the value of what you bought the day you closed. That's the arbitrage from

Chapter 3, at scale. Build. Central services, professional management, one set of systems, one brand or several. Chapter 28 is the Main Street version of what they do in year one.

Sell. A fund has a clock. Within a few years the platform is sold to a bigger fund or a strategic buyer, at the platform multiple, and the money goes back to the investors with the return on top. Then the firm raises the next fund and does it again.

Buy, build, sell. Platform, then add-ons. Over and over. If it sounds like Rockefeller, that's because it is, with a fund instead of a bank and a slide deck instead of a telegraph.

What they look for

When a fund looks at a platform, it's scoring the Playbook whether it calls it that or not. Leadership that runs without the owner. Recurring revenue, under contract. Customers spread out. Standard operating procedures, so the add-ons can be absorbed. Systems that talk to each other. A data room that's ready. Those are what the Business Valuation Playbook scores, and they're the reason a business that scores high on them attracts a different kind of buyer than one that doesn't.

And they look at size. Chapter 5 said it: a company doing five million in earnings on twenty-five million in sales has a hundred private equity firms bidding for it. Hold that thought, because it's the door you're going to walk through.

What it looks like when it works

Here's one you've driven past, and one you've never heard of. In April 2015 the private equity firm Roark Capital bought Driven Brands, the parent of the Maaco and Meineke auto service chains, and then did what funds do. Trinity Hunt Partners in Dallas has been running the same play in businesses much closer to your size since 1993. Side by side, the formula looks like this.

	Driven Brands, with Roark Capital	Trinity Hunt Partners
Platform	Maaco and Meineke, bought April 2015	Companies with $4 to $25 million in EBITDA, in small business, healthcare and consumer services
Add-ons	CARSTAR collision repair, Take 5 oil change, 1-800-Radiator and more, one after another	In 2023 alone: five new platforms and more than 25 add-ons, more than 30 transactions
Build	One platform, shared services behind the brands	A team of about seventy people running the play over and over
Sell	Taken public, January 2021	Its seventh fund closed in February 2024 at $700 million, oversubscribed in under five months
Today	About 5,000 locations in 49 states and more than a dozen other countries; more than $6 billion in system-wide sales	The investors line up to fund the next round because the last one worked

Every one of those five thousand locations was, or replaced, a Main Street business with an owner. That is the formula, complete: platform, add-ons, build, sell. Five platforms, twenty-five add-ons, one year.

And every fund in the country is looking for its own version of it in some fragmented industry right now, which is why the owners in your industry are going to get that phone call sooner or later. The question this book asks is who they'd rather get it from.

Selling to them, or partnering with them

Sellers, private equity is a real option for the right company, and a good one. If you've built a platform, or a business that could be one, a fund can pay a platform multiple, and there's a structure I've seen work well that

most owners don't know about. You don't have to sell all of it. Sell sixty or seventy percent to the fund and keep the rest. You've secured your financial future at closing. The fund has access to debt and capital you didn't, so it funds the add-ons. You stay on and help build it from ten million to a hundred, and when the fund sells, your remaining piece is worth more than the whole company was the day you sold. Two bites, sometimes three. That's how a platform builder gets paid twice for the same company.

There's also a growing group of buyers between you and the funds: search fund operators, often highly educated people backed by investors, looking for one good company to buy and run. They're real buyers for a company in the one-to-five-million range, and Chapter 4 applies to them the same way it applies to anyone else.

But understand what you're walking into. Their clock is not yours. Their rules are written from the top down, by the billion-dollar guys, and the banks and everybody else follow them. And their diligence is built to disqualify, because they're using other people's money, big bank loans and a lot of leverage, and the risk is stacked high. None of that is wrong. It's just not Main Street.

What they can't do

Now the part that matters most to you, because it's your whole advantage.

They can't go small. When a fund tells an owner his company is too small, what it means is that the fund's infrastructure is too expensive. They spend as much on a little deal as a big one: the audit firm, the Wall Street attorneys, the diligence team. So they draw a line somewhere around a few million in earnings, and everything under it, the five-hundred-thousand-dollar company and the million-dollar company and the two-million-dollar company, is left to whoever will dig for it. That's where the gold is, and I told you in Chapter 5 that nobody is bidding on it. You don't need the audit firm. You need smart business skills, the analysis in Chapter 23, and a process that doesn't burn cash. And here's the irony:

the arbitrage on a small company is bigger, not smaller. A fund buying at four and selling at eight doubles. You, at a six, buying a book of business at two and a half, do better than that.

They can't be the buyer the owner wants. Owners don't want to sell to a fund. They want to sell to someone who will take care of their people and their customers as good or better than they did. That's what every seller I've ever sat with wanted, and a fund with a five-year clock can't promise it and mostly doesn't try. You can. You're in the industry. You already run a business like his. You'll be there in year six.

They can't pay from the revenue. A fund pays with leverage, and leverage means rigid payments and a lender's committee. The Shared Success Plan pays the seller from the revenue the business collects, with the seller as a partner and no bank in the middle. No fund can offer an owner what Part Two offers him, because the plan only works between two business owners who trust each other. That's the last frontier of real free enterprise, and it's closed to them.

They can't build a reputation in a town. Chapter 20 is next, and it's about the one asset that brings you more deals than any fund's deal team: being the person the owners in your industry want to sell to. A fund is a name on a letter. You're a name on a sign.

And they can't do it for generations. They have to sell. You don't. Get rich once, for generations, is a Main Street strategy, because only a Main Street owner can hold a platform long enough for it to become an inheritance.

You are the private equity firm

Here's how I want you to think about it from here on. When you learn to find a platform, or build your own company into one, stack add-ons on it, and pay for them out of what the businesses earn, you're really building your own private equity firm. You're the fund, and the shareholder is you. You're creating shareholder value for yourself exactly the way they create it for their investors, with three advantages they'll never have: you can go

where they can't, you can be the buyer the seller wants, and you can keep it.

The proof is in. Now it's your turn, and it starts with the one asset no fund can buy: your name. That's the next chapter.



What private equity can't do.

CHAPTER 20

The Character Play: Your Reputation as the Buyer

The titans did it. The biggest companies alive still do it. The professionals turned it into a formula. Now it's your turn, and it starts with who you are, before it starts with what you buy. That's this chapter.

Remember where we left Uncle Dave. Fifteen years in, three handoffs behind him, and his phone rings. "Would you take our accounts?" Nobody calls a stranger with that question. They call the man whose last three sellers are still glad they did it, whose crews are still on the job, and whose customers never noticed the day the paperwork changed. Chapter 1 promised you that by the end of this book Dave would be the buyer sellers call. This is the chapter where you find out why they call him, and how you become the one they call in your industry.

If you're the buyer, this chapter is about the one asset that will bring more future family members to your door than any marketing you'll ever do: your reputation as the person owners in your industry want to sell to.

If you're the seller, it's a description of the buyer you should be looking for, your own Uncle Dave, and how to tell whether the one across the table is him.

Why it matters to both of you: in a market with millions of owners about to leave and not enough good buyers, the buyer with the reputation wins, and the seller who finds him gets the deal of his life. Character isn't the soft part of this business. It's the part that decides who gets the call.

Deals are built on trust, not numbers

Deals don't happen on numbers alone. Most small business owners care deeply about what's going to happen to their company, their employees

and their customers after they sell. If they don't trust you, if anything is off, they'll find someone else, and they should.

I've had several sellers over the years take less money to sell to the right buyer. The medical documentation company in Chapter 13, decades in business, was one: the owners wanted a good place for everybody, and they would have taken less for the right fit. That's not unusual. In my experience most Main Street entrepreneurs care more about their employees and customers in the transaction than they do about exactly how much money, once the money is fair.

That is the whole reason Uncle Dave gets the call over a buyer with a bigger checkbook. When the two operators in that top-five market handed him their companies, they weren't picking the highest number. They were picking the man who had kept the name on the door for his first seller, kept the crew, and kept his word. In a small industry, everybody knew it.

So the buyer's job is not to win a negotiation. It's to be the person a seller can trust with his life's work. Most sellers aren't financial engineers. They built a company from the ground up, and there's an enormous amount of emotional value in it. Understand what's important to them, and honor them through the whole process. That's how you build a brand as a company to sell to. When the employees and the customers of the companies you've bought say they like it too, that reputation does your prospecting for you.

A safe place to sell

Here's how I'd describe the goal. Be the safe place. Build a reputation in your industry where, when someone's ready to leave, you are the person to call. Where the owners who sold to you are proud of it, their employees are glad it happened, and their customers never missed a beat.

You build that reputation on small things, and none of them cost money.

The small things	What it looks like
Do what you say	You said the document by Friday; it arrives Thursday. You said an offer next week; there is one
Give them a path	Most owners have never sold a business. Tell them what happens at each step, and then make it happen that way
Never go quiet	Nothing is more frustrating, or more emotional, for a seller than "I'll get back to you" and silence
Listen first	Find out the story. Ask what they want after the sale. Ask what their customers count on that isn't written down
Tell the truth early	Bad news on Monday is a problem to solve. Bad news at closing is a reason to walk

And listen. The best business buyers are like the best salespeople. They listen to what the seller's motivations really are, and deals happen faster because of it. Dave does his listening before the numbers, and the owners in his industry know it. That is the safe place.

The handshake approach

I've said the Shared Success Plan is the last frontier of doing deals belly to belly, and I mean it as a description of character, not just structure.

Main Street used to do deals this way. Two owners would sit down, work it out, shake hands, and give each other a hug. If they got into an argument, they'd have it out and then shake hands again. That's where things used to be handled, and it's where they can be handled again: two people in a relationship, each with the other's back, and as much or as little paper as they choose to add. The attorneys and accountants paper the deal; I've said that throughout this book. But the deal is made between the two people, and if they don't trust each other it doesn't matter what the paper says.

That's why I do diligence on the buyer as carefully as on the business. A seller who's going to be paid over years needs to know the buyer is strong, honest and competent. And a buyer who wants sellers to trust him with that has to earn it, deal by deal, by being the kind of person who would rather lose a deal than mislead somebody in it.

I'll give you a line I use with my own clients. Just because I represent you doesn't mean I have a license to misrepresent you. I've had sellers get upset with me for it. I can't sell earnings that aren't there. I can't sell profits that aren't there. That's deceptive, and it comes back on everybody. The same rule applies to the buyer describing what he'll do after closing. Say what you'll do, and do it.

Honor the seller

There's something I want every buyer reading this to understand about the person across the table. There is not a business owner alive who started a company and didn't suffer for it. They got paid last for years. They mortgaged things. They missed things at home. When they sell, it's their Hall of Fame moment: their life's work, the blood, sweat and tears, handed to someone else. Treat it that way.

Practically, that means a few things.

Honor the relationships they built, including the vendors. A lot of buyers come in and start cutting suppliers to grab every nickel. There's often no reason to. A diverse supply chain is a strength. If a vendor is doing the work well and following the same process, keep them, and you'll keep the seller's trust and the customers' too. Keep the name on the door when it should stay. In a lot of my deals the company keeps its brand, because the trust in that community is exactly what the buyer paid for. That is Dave's rule, and it is why the community sees the same business after every handoff, only stronger.

Take care of the employees. The people closest to the customers are the reason you bought the company. Dave's first handoff came with six people, and he'll tell you he thought he was buying a book of business and

found out he'd bought a team. A buyer who understands that doesn't have to promise there will never be changes. He has to promise the truth, and then keep it.

And pay it forward. When it's your turn to sell, hand it to somebody as good or better, the same way. That's the day Dave is building toward.

The seller's side of character

Sellers, this chapter is for you too, in two ways.

First, it's how to find your Uncle Dave, and how to test him. Do your diligence on him with the same care he does on you. If you can't say yes to every line below with confidence, don't sign, no matter the price.

The buyer test	What you're looking for
The numbers	Is he upfront about them, his and yours?
His word	Did he do what he said, on the date he said?
How he negotiates	That is how he'll handle a problem in year two
The phone	When something goes sideways, does he call you, or his attorney?
Your best employee	Would she be happy working for him?
Your biggest customer	Would he be glad to hear from him?
His last seller	Call him. Is he still glad?

The last line is the one that matters most, and it's the one Dave never has to worry about. His sellers make his case for him.

Second, it's about letting go. I'm from Wisconsin, and we've been blessed with incredible quarterbacks for thirty years. When the team was done with Brett Favre, and later Aaron Rodgers, neither of them was ready to be done. Joe Montana finished in Kansas City. Great competitors struggle to let go, and business owners do the same thing. It just doesn't make the

news. Chapter 15 has the owner who tripled her company's value in a year and then said not yet. That's not a mistake. But know yourself. If you're dragging your feet on the information, ask whether you're as ready as you thought.

The character screen

When you are adding to the family, you are looking for high-integrity people. People whose word is their bond. I know how that sounds. But here is the truth.

You can have the greatest contracts on the planet. Contracts are designed to win in court. I am not giving you legal advice here. I am telling you practically: if somebody decides to default and you have to fight it, everybody loses. Everybody. The fight will cost you more than the result is worth, especially at the sizes we work at. And when that happens, it is not a contract problem. It is an integrity problem.

So screen for it up front, on both sides. Before you talk numbers, ask yourself: is this someone whose word I trust? Watch what they do before the deal, because that is what they will do after it. Do they return calls? Do they tell you the bad news early? Do they do what they said, when they said? The contract will not save you from someone who does not have character. Nothing will. Chapter 10 turns this screen into a scorecard both people fill in, so it is not a feeling, it is a record.

This is not about being soft. It is about being smart. The people who care more about their reputation than about lawyering up are the people you want in your family. Everyone else, let them go find each other.

Competence is part of character

One more thing, because "character" can sound like it's only about being nice. It isn't. In most industries a good business has several buyers it could sell to. The one who gets the deal is the one who is the most competent, and who is known to be. The systems to look organized and

execute. The track record of clients who love it when they're acquired. The ability to say, here's exactly how this will go, and then to make it go that way.

That's the other half of why Dave's phone rings. He has taken three handoffs and his crew knows the playbook, so when he tells an owner how the next ninety days will go, the owner can call three people who watched it go exactly that way. Character gets you the conversation. Competence gets you the company.

Do that, with integrity, and the reputation will get out there. Do a bad job with your first seller, and that will get out there too, and you'll have blown the opportunity. Every deal is a reference for the next one. In a market where millions of owners are about to choose who to trust, that's the whole game.

Reputation brings the family to you, because owners choose who joins their company's family based on character. But Dave's phone didn't ring for the first twelve years. He had to go find his first handoff, the same way you'll find yours. Chapter 21 is where to look, and how to know a good one when you see it.



The character play.

PART FOUR

The Deal Process

From first conversation to first ninety days

CHAPTER 21

Finding Companies: Where to Look and How to Research

Chapter 20 was about being the buyer owners want to sell to. This chapter is about the years before the phone rings: looking for new family members, and knowing a good one when you see it.

This is where the fun starts. Some of you have been waiting for it since Chapter 1. Others are nervous about it: how do I even talk to somebody about buying their company? I'm telling you, it is not as hard as you think. You do have to be systematic about it, and you have to understand that it's the long game. One of the hardest parts of a roll-up is finding the companies. There are plenty of people who can find them and can't get a deal done, and plenty who could get a deal done and never find one. This part of the book is about doing both.

Uncle Dave's phone rings now. It didn't when I met him. He was twelve years in, two million in revenue, and he had never once asked another owner what his plans were. His first handoff didn't come from a referral. It came off a list he wrote in an afternoon, the same list you'll write at the end of this chapter. That's the honest picture: the reputation that does the hunting in Chapter 20 is built on the legwork in this one.

And if you're the owner who will one day be found, this chapter tells you where the good buyers are looking, which means it tells you how to be found. There's a section for you near the end.

Start with the industry, not the company

For a roll-up to work well, you want a fragmented industry: lots of smaller companies, maybe a few large players, and a good number of owners who've been at it a long time. You already know whether yours is. Think about court reporting, which is a space I've done work in. For whatever

reason it's owned by a lot of people in their fifties and sixties who've been at it for decades. There are many industries like that right now.

Before you go looking at companies, do the research on the industry. You want a map of the space before you pick your spot on it. Here are the questions, and where the answers live.

The question	Where the answer is
How many companies are in the space, and how big are they?	The Census Bureau counts every employer business by industry code and county, free, every year. Your state licensing board, if your trade has one, lists every license holder
How fragmented is it? Who are the big players?	The trade association's member directory and its conference sponsor list. The big players sponsor the conference
Is anybody already rolling it up, private equity or corporate?	The trade press, and the "portfolio" page on the websites of the funds that buy in your space. If a fund has a platform in your industry, its add-on buyer is already calling your competitors
How old are the owners?	The directory, LinkedIn, and the room at the conference. Look around
Is technology a help or a threat?	Chapter 7. Know whether artificial intelligence helps the businesses you're looking at or threatens them, then decide

Keep one eye on that last line. Fragmented and aging is good. Fragmented, aging and about to be made obsolete is not. The video stores from Chapter 3 are the example: on every corner, and then, when Netflix went online, gone. If you'd done the video store roll-up right before that, your timing would have been bad.

Chapter 7 told you what AI does to the experience gap, and this is the first place it pays. The industry map that took me weeks of phone calls takes an afternoon now: hand it the industry code and the counties you care about and ask for every company, its size, its owner and how long it's

been there. Then verify what it gives you, because it will be wrong about some of them, and the ones it's wrong about are usually the ones worth a call.

Who you're looking for

Here's the honest version of what a great acquisition looks like, and I'll tell you up front that almost nobody has all of it. Every business has its own strengths and weaknesses. If a company doesn't check every box, it doesn't mean you can't bring it into the family. It means you account for what's missing in the price, the terms or the transition plan.

The trait	What you want to see	If it's missing
Recurring, predictable or contracted revenue	Repeat customers, contracts, subscriptions. You're buying future earnings, so they have to be solid	Ask whether you can put it there. Service level agreements with the recurring customers, a subscription where one fits
Low dependence on the owner	The business runs when the owner is on vacation	Compensate for it in the structure and the transition: pay for what transfers, and keep the seller long enough to transfer it
Good margins	At least twenty percent, and for a lot of service businesses quite a bit more	Price it on what it earns, not what it could earn, and know what you'd change
Growth potential	Room to grow from where they are, and a clear idea of what it would cost	A business with no room to grow is a book of business. Buy it as one
Culture and fit	Their customers would be comfortable with your people, and their people with your customers. Things to cross-sell	Walk away. This is the one you can't fix with terms

I'm working with a company now that has plenty of work, consistent business, and no contracts at all; you can look two weeks out on their books and see nothing scheduled, and their people will be busy anyway. We're putting service level agreements in place with their recurring customers. That's a fixable weakness, not a reason to walk away. The same is true of messy books; I have a bookkeeping firm I work with that knows exactly what we need and cleans them up. Customer concentration, outdated systems, an owner who's also the top salesman: every one of those is an adjustment, not a deal killer. A lot of it comes down to the attitude of the seller. If he's easy to work with and you like him, most of it can be worked out.

The size rule from Chapter 3 applies here. Look for companies at twenty to thirty percent of your revenue; twenty is a very safe first deal. If you're a five-million-dollar company, look at the million-dollar company. It tucks in.

Write your criteria before you write a name

This is not like buying everything that's for sale; unless you have unlimited capital, you can't. Get dialed in on exactly what you know best, who you can serve best, and what the ideal company looks like. Write it down. It's your criteria, and it will save you from deal fever later. Here is what Dave's looked like when we wrote it, and a blank column for yours.

Your criteria	Uncle Dave's sheet	Yours
The play (Chapter 2)	Horizontal first: same kind of customers, same workflow. Vertical when a piece of his workflow was going out the door to somebody else's shop	
Size	Twenty to thirty percent of his revenue, so it tucks in	
Geography	His own market first; then the top-five market he wanted to be in, bought instead of built	
The owner	Been at it a long time, ready to hand it over, cares what happens to the crew	
The team	People who know the customers and will stay. He's buying them as much as the accounts	
What he won't buy	A company whose customers wouldn't recognize his people as their kind of people	

Notice what isn't on Dave's sheet: a price. Price comes after the company fits. Get the fit right and Chapter 24 will tell you what it's worth.

Where the deals are

There are two kinds of deals: the ones that are listed, and the ones that aren't.

Listed deals, the ones brokers have, come with an advantage: you know the owner wants to sell, and the financials are usually put together. The disadvantage is competition, depending on your industry, and a process built for the broker's convenience rather than yours.

The deals I want you to find are the off-market ones, where the owner isn't talking to anybody else. Less competition, more effort. The owner may not have information ready, may not have thought it through, may not know how to exit at all. Most don't. That's why you have to know the process cold: so you can walk him through it and be the organized one in the room.

How do you find them? I've been doing direct outreach for fifteen years, and the answer is the same every year: cold email, cold calls, LinkedIn, and above all showing up.

Where to look	What you get	What it costs you
Your competitors	The owners most like you, with customers most like yours. You don't have to know them	A phone call, and the nerve to make it
Vendors and suppliers	The people who know everybody in your business and who's slowing down	A lunch, and the words "I'm in acquisition mode. If you hear of anybody, let me know"
CPAs and attorneys in your industry	They know who's tired before the owner says it	A relationship, kept up, before you need it
The association and its events	Every owner in your space, in one room, once a year. Training classes too	The registration, and showing up every year
LinkedIn and email	Reach you can't get in person, to owners who don't go to the conference	A short note that is about them, not about you
Brokers' listings	Owners who've decided, with financials ready	Competition, and a process built for the broker
Social media	Not much, unless people already know you and know what you're looking for	Time you should spend on the lines above

Let people know you're an investor and you're growing through acquisitions. Build relationships with the CPAs and the industry associations and the vendors and suppliers who know everybody, and just ask. You will be surprised at what comes up once people know.

You can hire somebody to represent you on the buy side, and there's a place for that. But there is nothing like doing it yourself, belly to belly, with the owners in your own industry. You'll know things about them that no intermediary ever will.

And when you look around a room, here's the honest filter: anybody with gray hair and wrinkles who owns a successful company is somebody you might want to have a conversation with. You're not going in for the kill. You're going to ask what his plans are. That's the next chapter.

Qualify before you call

Businesses are private, so you won't know much before the first conversation. But you can usually get the range: the size, roughly, the customer base, the services, whether they're in your workflow. Do that homework before you reach out, so the first conversation is about them and not about you figuring out who they are. Ten minutes with the company's website, its reviews, its licenses and its LinkedIn page will tell you whether it's in your range, who the owner is, how long he's been at it, and who his key people are. That's all you need before the call. The rest comes from him.

The long game

Here is the expectation I want to set. I've had people I talked to twelve years ago come back. There's a transaction I'm representing right now where I first flew out to see the owners in 2013. They thought they were going to sell then. They hung on. Now we're doing something. It's not like selling a service where you're trying to close in a month or two. The contacts you make now might close in five years, or ten, or fifteen. Don't be discouraged by that. It's the nature of the thing, because people have to be ready to take the step.

That's why you need a pipeline, not a list. Constantly be talking to companies. Constantly be building relationships. Constantly let people know what you're doing. Dave's first handoff took the better part of a year

from the first call. The second came faster, and the third came to him. The pipeline is what turned one list into a reputation.

If you're the owner who wants to be found

Everything above tells you where the good buyers are looking, so look there yourself. Be at the association meeting, and let it be known, in your own time, that you're thinking about the next few years. Tell your CPA, because the buyer who wants your company has already told him what he's looking for. Keep your Business Valuation Playbook score up, because that is exactly what the buyer in this chapter is scoring you on from the parking lot. And find your Uncle Dave before you need him: the roll-up buyer in your industry with the reputation, the one Chapter 4 told you to look for. Have the conversation while it's a conversation and not a sale. The owners who did that with Dave got the best terms, because by the time they were ready, he already knew what they'd built.

Your assignment

Write down ten to fifteen names. Competitors, whether you know them or not. Owners you respect. Vendors and suppliers. The guy who knows everybody in your business. People you'll let know that you're an investor, you're doing a roll-up in your space, and you're looking for new family members. That list is where your next family member is hiding.

Name	Why they're on the list	Who can introduce you	First step and date

One more thing. This industry calls the companies on that list "targets." I hate that word. Think of them as the people you're going to welcome into your family. It changes how you talk to them, and they can tell.

You have the list. Ten to fifteen names. Chapter 22 is what you say when you call them.



Finding companies.

CHAPTER 22

The First Conversation: Not "I Want to Buy You Out"

Chapter 21 gave you the names. This chapter is the conversation: what you say when you call.

If you're the buyer, this chapter is the difference between a conversation that opens a door and one that slams it. It's the words: not a script to read, because owners can hear a script, but the questions I actually ask, the answers you'll actually get, and what to do with each one.

If you're the seller, it's the conversation you've probably been avoiding, and a way to have it that doesn't feel like giving up anything. It's also what a good buyer sounds like, so you'll know one when he calls, and what a bad one sounds like, so you can hang up.

Why it matters to both of you: "I want to buy you out" puts a person on edge before you've finished the sentence. It says you're across the table. Everything in this book is built on sitting on the same side of it, and the first conversation is where that either happens or doesn't.

Predator or partner

Think about how the phrase lands. An owner has spent thirty years building something. A stranger calls and says, I want to buy you out. What the owner hears is: I want what you have, and then you're gone. He remembers the movie from the eighties, greed is good, buy it and chop it up. His employees hear "acquired" and think, are they going to fire me? It's the wrong start, and most of the time the owner will decide right there that he'd rather find somebody else.

Now think about the other version. What's your long-term plan for the company? Have you thought about who takes over? That's not a pitch. It's a question the owner has been avoiding, from someone who seems to

understand it. It opens a door. The difference isn't a trick of wording. It's whether you actually mean it. The buyer I'm describing in this book is not buying the company to take it apart. He's buying it to keep it going, with its people and its customers, as part of something bigger, and he's going to pay for it out of what it earns, with the seller as a partner in that for a while. That is a partnership, and you can only talk like one if you're prepared to be one.

What you're really offering

Here's what you're offering, and I'd put it to the seller about this plainly.

Most owners have no plan for who takes over. Everybody talks about it. Almost nobody has one. You don't need to write one. I have a framework, and we'll plan the whole thing together. You're not taking the company with you, and we both know it. What I'm offering is a way for it to keep going, for your people to be taken care of, for your customers to never miss a beat, and for you to get paid for what you built, in a structure where you share in the success going forward.

That's the Shared Success Plan in one breath, and it's the reason a partnership conversation is honest rather than clever. The seller will be paid over time from the revenue the business collects. So he has to trust you. And you have to earn it, from the first meeting, by being the kind of buyer he'd want to be in business with for the next few years.

It works the other way too. A buyer running a roll-up needs every new family member to thrive, because the next deal depends on the reputation of this one. He is not across the table hoping to win. He's on the seller's side, hoping the seller wins, because that's how he wins. We are not competing. We are working together.

The question

It's simpler than you think. Hey John. Hey Juanita. What's your long-term plan for the company? That's it. Or, if it's someone you've known a

while: can we have a conversation about your long-term plan for the business? So he knows why you're asking. If you've met at a trade show, or you've known him for years and respect him, it's easy: what are you thinking of doing with the company long term?

Then be quiet and let him talk. You're not going in for the kill. You're finding out where he is.

The answers you'll get

Everybody has a different idea, and you'll hear all of these.

"I don't have any plans." Very common, and honest. The follow-up is gentle: how long are you thinking of doing this? A lot of times he'll tell you, and a lot of times he hasn't thought about it until you asked.

"I'll probably die at my desk." Usually said with a laugh. It's a real plan for a lot of owners, and it's a terrible one for their employees and their families. Don't argue with it. Ask about the employees. Ask what happens to the customers. He knows.

"My daughter wants to take over." Or the son-in-law, or the general manager. Sometimes true. Very often, when you ask a little more, the daughter has a career of her own and the general manager has no money. Ask how far along that plan is. If it's real, wish him well and stay in touch. If it isn't, he's just told you so.

"Funny you should ask. My wife and I just started talking about it." This happens more than you'd think. We want to live at the beach. We want to move to the mountains. We want more time with the grandkids. Now you're listening for two things: motivation and timeline. Why does he want to go, and when?

Whatever he says, play off it and go from there. You never know until you ask.

People have asked me for years why I didn't go after the ten- and twenty-million-dollar acquisitions, where you can make a million dollars on one

transaction, instead of spending most of my time on the little deals. Here's what the big deals are actually like. I do the introduction, and then a whole bunch of suits take over: lawyers, analysts, committees. I'm a connector and then I'm wallpaper. The little deals are me going back and forth with the owner, getting creative on how to make it work, sitting across the table from the actual decision-maker, the person whose name is on the door, figuring it out together. That's where I learned everything in this book.

And it's the advantage you have in this conversation. You're not dealing with a committee. You're sitting across from the owner. You look him in the eye, you shake his hand, and you figure it out. That's the Main Street advantage. The big guys can't do that. You can.

From stranger to the person he calls

Most of these conversations don't end with a deal. They end with a relationship, and that is the point. The owner who says "not yet" today is the owner who calls you in three years, if you did this right.

So be a resource. Care about what he said, and when he said it. If he mentioned he's thinking about it in a couple of years, check in in a year. If he's wrestling with a problem in the business, help if you can. Owners talk to each other, and the buyer who's helpful before he's a buyer is the one who becomes the trusted advisor in his industry. That's the reputation from Chapter 20, built one conversation at a time.

And be patient. The owners in Chapter 21 took thirteen years.

Trust from the first meeting A few things I do every time.

Be an open book. I want the seller to know as much about me and my company as I'm going to learn about his. It's just as much him checking me out as me checking him out, and I say so. When it comes time for the mutual non-disclosure agreement, that's what "mutual" means: I'm going to disclose about my business too. In the back of his mind he's asking

what's going to happen to his employees and his clients. You can't answer that without being candid about who you are.

Sell yourself. If a seller is going to take part in a plan where he's paid over time, he needs to know your company is strong, your finances are sound, and your integrity is real. Don't make him ask. Show him.

Show competence. The worst thing I see, all the time, is a buyer who finally gets an owner to say yes, I'd like to talk, and then fumbles around because he isn't ready. Have the agreement ready. Have the checklist ready. Have a timeline. Be the person who knows what happens next, because the owner almost certainly doesn't; most have never sold a business. Competence is what makes him comfortable.

Listen first. Before any numbers, find out what he wants. Some want out now. Some want a year. Some want to stay three years and carry a piece. Some care about price, some about how much comes at closing, some about monthly income for the rest of their lives. You cannot structure a deal for a person you haven't listened to. Almost every term that has ever made one of my deals work was the answer to something the seller said he needed.

The conversation about what he wants

When an owner does want to talk seriously, the second conversation is the one that shapes the whole deal, and it's still not about numbers. It's about what matters to him. I use a short set of questions, separate from anything about the business's financials.

What does the money need to do for you? Clear debt, cover a monthly need, fund the next thing?

What's most important: the price, how much comes at closing, or monthly income for years?

What do you want the next few years to look like? Out on closing day, a year for the transition, or two or three years helping it grow, maybe with a

piece of ownership?

What do you want for your management team? Do they stay? Would you want them to hold a piece, even ten percent?

What do you want protected for your people and your customers?

What do your customers count on that isn't written down anywhere?

What would make you say no, even at your price? Write the answers down. Every one of them is going to become a term in the deal, because the structure follows the person. I've had sellers who needed cash at closing to clear a debt and monthly income after; sellers who needed the first payment delayed past tax season; sellers who needed their lead technician taken care of before they'd talk price. You can't know which one you're sitting with unless you ask.

> **From the book to the tools · The Seller Questionnaire**
>
> The seven questions, to answer for yourself or to send to an owner you're talking with.
>
> growthroughacquisitions.com/tools/seller-questionnaire

What not to do

Don't lead with a number. You don't know enough, and it puts him on defense.

Don't say "buy you out."

Don't promise what you haven't checked. "I'll have an offer to you next week" only if you will.

Don't pretend the emotion isn't there. Selling a company is one of the most emotional things an owner will ever do. His identity is in it. His employees are like family. He's proud and he's scared, sometimes in the same sentence. Respect that, and you'll get further than any negotiator.

And don't rush. Time is the enemy of a deal once it's started, but before it's started, patience is your friend. The owner has to be ready to take the step.

What a seller should hear

Sellers, here's your side of this. A good buyer asks about your plans before he mentions his. He's transparent about his company, his finances and his intentions. He talks about your employees and your customers without being prompted. He has a process, he explains it, and he does what he says on the date he said. He's interested in what you want after the sale, not just what you want at closing.

A bad buyer leads with price, says "buy you out," is vague about his own business, doesn't ask about your people, and disappears for two weeks when he said he'd call Friday. There are plenty of both out there. In the market we're in, you'll have a choice. Take it.

And the most useful thing you can do before any buyer calls is to answer those seven questions honestly, for yourself. What does the money need to do? What matters most? What do you want the next few years to look like? What do you want for your people? What isn't written down that your customers count on? Owners who've done that are a pleasure to deal with, and they get better deals, because they know what they want and they can say it. Owners who haven't tend to negotiate against a number in their head that nobody else can see, and the deal dies over something that was never the real issue.

Both sides of the table

I'm a football coach, and the first thing I tell an offensive coordinator is that he'd better know the defense. Same film room. Both sides.

When I'm sitting with an owner about his company, I'm on both sides. I know what the buyer needs: a business that stands on its own, a team that stays, customers that transfer. I know what the seller needs: fair money, a

legacy protected, people taken care of, and a buyer he can trust with all three. The partnership approach is just refusing to pretend those are in conflict. In a good deal they aren't.

When he says yes

When an owner says, I'd love to have this discussion, you have to be ready. Right then. Not next week. The mutual non-disclosure agreement goes out that day. The checklist of what you'll need is ready. You tell him what happens next and roughly how long each step takes. For the seller, this is his Hall of Fame moment: the day somebody looks at what he built and says, I want to carry this forward. Chapter 23 is the path from yes to a signed letter of intent.



The first conversation.

CHAPTER 23

From Interest to Intent: The Numbers, the Analysis and the Term Sheet

Sheet Chapter 22 was the conversation. This chapter is what happens after yes: the path from interest to a signed letter of intent.

If you're the buyer, this chapter is the path from "I'd like to talk" to a signed letter of intent: what you ask for, in what order, how you analyze it in a couple of weeks, and how you make an offer without blowing up the relationship you just built.

If you're the seller, it's what a competent buyer will ask you for and why, so nothing feels like an ambush, and it's your chance to check him out at every step.

Why it matters to both of you: this is the stretch where most deals die, and they die of two things: disorganization and time. Time is the enemy of all deals. Be the organized one and keep it moving. This is growing the family: the company you're analyzing is on its way in.

The process, in order

Here's the whole thing on one line, so you always know where you are.

Conversation. Mutual non-disclosure agreement. Initial information. Analysis, from the customer backwards. Term sheet. Letter of intent. Due diligence. Purchase agreement. Closing. Transition.

This chapter is the middle: from the agreement to the letter of intent. Chapter 25 is diligence through closing.

Step one: the mutual agreement, that day

The moment an owner says yes, send the mutual non-disclosure agreement. Mutual, because you'll be disclosing about your company too, and because he's checking you out as much as you're checking him. Have it ready before you ever have the conversation. The single most damaging thing I see is a buyer who gets a yes and then fumbles around for a week. You want to show a process and a timeline, right away, so the owner knows he's dealing with a serious buyer who knows what he's doing.

Step two: the initial information

When the agreement comes back, send the checklist. I like to give the full list, so the owner can see everything that will eventually be needed, and then highlight the handful I want first: a couple of years of tax returns, the profit and loss statement, the balance sheet, and a general picture of the customers and the employees.

Some buyers wait for the tax returns and nothing else. I want to know the revenue and what the business really looks like. The tax returns verify the top line; nobody tells you they do two million and files a return that says two and a half. Then the P&L, and then conversations about who the clients are and how many people it takes to serve them, so you understand the workflow.

And put the seller at ease about his books. People think they have to clean everything up before they show anybody. They don't. Your books are your books. Everybody runs things through the company, and I'm not the IRS. Just walk me through it.

> **From the book to the tools · The Information Request**
>
> The full list, with the four things to ask for first.
>
> growthroughacquisitions.com/tools/information-request

Step three: the number everybody agrees on

Get the P&L in a spreadsheet and get on a screen share together. Go down it line by line and mark a column for the discretionary items: the owner's car, his health insurance, the trip to the mastermind group, the things a new owner won't have. Add those back to the profit and you have seller's discretionary earnings, the number this book has used since Chapter 3. Every business owner lowers his taxable profit as much as he legally can; that's a strategy, not a sin. When you buy the business you back it out, because what you're really buying is the customers and the people and whatever it takes to take care of them.

Do this together, on the screen, and you've done two things. You've arrived at the number the whole deal will be based on, so you can communicate and negotiate off one figure instead of two. And you've shown the seller you're not there to catch him. That matters more than the arithmetic.

Step four: analyze from the customer backwards

Now the three-step quick analysis. It should take a couple of weeks if the owner gives you good information, and it tells you whether to make an offer.

First, get to the seller's discretionary earnings. You just did.

Second, get a feel for the likely multiple, at a high level, and take the owner's temperature. Would he sell at that level? You don't need precision yet. You need to know whether you're in the same building.

Third, and this is where I'd spend the most time, analyze from the customer backwards. Who are the customers? What do they buy, how often, how long have they been there, is there concentration? What service levels do they expect? Who on the team takes care of them, and how? Does the workflow fit yours; could you even enhance it? Look at the operations: the platforms, the systems, whether you'd have to move customers or train employees. Look at revenue by customer and, if you

can get it, profit by customer, because almost every business has one or two long-term customers the owner is making a lot less on than he thinks.

The whole intent is: how do we keep them? How do we make sure everything stays the same for the customer after the handoff? With small businesses there's a lot of culture in how customers are treated. It's personal. A lot of the deals are one-off: handshake arrangements that don't show up in any agreement, a promise the owner made years ago that everybody still honors. You have to understand all of that before you touch anything. And a lot of times it's obvious immediately, to both sides. The seller looks at your systems and says, "Wow, my employees will love that." There's intellectual property on both sides of every table. Most entrepreneurs are on an island; they don't see what other operators are doing. Those conversations, under the mutual agreement, are valuable before there's ever a deal.

I've learned this the hard way. You can spend all your time on the financial and the legal review and get to the end and say, wait, how would we actually work with these customers, and find something in the workflow that kills the deal. Start at the customer and you find it in week one. Nothing you find is a deal killer. Concentration, old systems, an owner who's the whole sales department: these are adjustments, in price or terms or transition. In the coaching program we say terms match the risk. If the owner is the salesman, ask him whether there are accounts he could have won with more capacity behind him, and whether he'd like to go win them for you on commission after the sale. Many would love to, and some have gone out and brought in several hundred thousand dollars of revenue from people who'd said no to them before.

Step five: the term sheet, casually

You like the company. The numbers work. The customers fit. Now you say so, and I do it very informally. A term sheet can be an email.

Here's roughly what mine says. I'm interested in acquiring your company. It would be an asset purchase. We value the company at, say, a million

dollars, and here's how we got there. We'd put a certain amount down at closing. We'd pay the rest as a percentage of gross revenue collected, for a set period; gross revenue, because once you've sold you no longer control the expenses and you shouldn't be paid on somebody else's profit. Here's what else I'd need to know: I'd like to talk to some of your customers and understand a few details. And here's when I'd expect to close, assuming everything checks out.

Why so casual? Because you don't know how it's going to land. He might think the company is worth far more. He might be amazed anybody would pay that much. Until you float it, you can't know, and a formal document makes it hard for either of you to adjust. An email lets him come back with "this sounds great" or "I was hoping for more down," and you have that conversation like two people rather than two lawyers.

That conversation is where a lot of deals are actually made. In Part Two I told you about the offer that came in thirty percent low and the buyer who couldn't stomach one customer's premium pricing. We didn't change the price. We changed when the first payment started. Terms are where the gap closes.

> **From the book to the tools · The Term Sheet Email**
> The casual term sheet from the book, ready to fill in and send.
> growthroughacquisitions.com/tools/term-sheet

Step six: the letter of intent

From the book to the tools · The Term Sheet Email The casual term sheet from this chapter, ready to fill in and send. growthroughacquisitions.com/tools/term-sheet Step six: the letter of intent

When you agree on the terms, put them in a letter of intent. It has essentially the same information as the term sheet, with a bit more formality: the price and how it's paid, the timeline, the documents you'll

need in diligence, the seller's involvement after the sale, and a no-shop clause, so he's not talking to other buyers while you're doing the work. This is usually the stage where you bring in an attorney; you don't have to, but you may want to.

Now the part that trips people up. A letter of intent is typically not binding. Either side can walk away, and there's usually no earnest money. But in this business everybody works as though it's binding, and you should have that mindset. Deals fall apart when somebody learns something and wants to change the terms. That's why you put everything in the term sheet first: so that nothing has to change in the letter of intent. The way I put it is that the letter is as binding as your word is. If you say you're going to do something, do it.

I like to find out, before the letter is signed, what else the seller will want to see from me and what I'll want to see from him in diligence. Then we both know the gap and how long it will take to close it.

If you come from real estate

A lot of people who've done real estate struggle with this process, because it runs backwards from what they know. In real estate the contract comes first, with contingencies, and it's binding, and the comps are on Zillow before you ever make an offer. In a business sale there are no comps to look up, you have to be Zillow yourself, so you can't know enough to sign a binding contract up front. The letter of intent comes first, non-binding, and it opens the door to the information you'd need to sign a real contract. The contract comes after. There's no deed, no title office, often no state form; many businesses change hands as an asset sale with a bill of sale. It's not right or wrong. It's different, and trying to make it fit the real estate way doesn't work well.

Managing expectations, on both sides

Set a timeline at every step and keep it. Send what you said you'd send. When the seller drags his feet on information, it sometimes means he

doesn't have it. It sometimes means he's less ready to sell than he thought when he started. In my experience it's the seller, more often than the buyer, who backs out at the end, sometimes the day before closing. The best protection is the relationship you've been building since the first conversation, and a process that never gives him a reason to wonder what's going on.

With the letter signed, you own the next thirty to ninety days, and they're about two things: proving what you were told, and planning what happens after. That's Chapter 25. First, Chapter 24 is the worksheet: how you put a number on the specific company in front of you.



From interest to intent.

CHAPTER 24

Valuing the Company: SDE, the Sizing Ladder and the Three-Step Quick Analysis

Quick Analysis Chapter 3 gave you the idea of value: a multiple of what a company earns, rising with size. Chapter 23 got you to the number together with the seller, on a screen share, line by line. This chapter is the worksheet. It's how you put a number on the specific company in front of you, how you adjust it for what's really there, and how you say it out loud so the seller can check it and his advisors can't wave it away. Some of you love numbers and some of you don't. This is the foundation for everything else in the deal, so if you don't get it the first time, come back and get it.

The first step drill

When I coached football I scripted the first twenty plays, and we practiced that script all week. But before we practiced the plays, I ran what I called the first step drill: every player takes the correct first step, every time, because if the first step isn't right, I guarantee the second one won't be either.

Seller's discretionary earnings is the first step. It's the owner's benefit, the income he actually receives from owning the company, and it is the most important number you'll discover. Most businesses have two sets of books, and I say that without judgment: one for the tax return, built to lower profits, and one for the sale, built to raise them. What you need is neither. You need what the cash will be when you take over. You're not buying an office and some employees. You're buying the cash the business produces, because that's how you'll pay for it and that's your return.

The worksheet

Start from the profit and loss. Add back the owner's salary. Add back the profit. Then go through every discretionary item, the things the owner does as a perk of ownership that a new owner won't have to do to run the business: personal travel, the cars, insurance, the kids or the spouse on payroll, the country club, the mastermind group, the advanced degree, the trip that was mostly personal.

Say a business reports a hundred thousand of net income. You find fifty thousand of personal travel, twenty thousand of car expense, and thirty thousand of consulting fees that won't continue. Add them back and the seller's discretionary earnings are two hundred thousand. The tax return says a hundred. The owner's benefit is two hundred. That's the number the deal is built on.

Do it with the owner, and put him at ease while you do it. Everybody runs things through the company. It's legal, it's a strategy, and I'm not the IRS. What I'm trying to find is what a new owner would keep. The rest can go.

> **From the book to the tools · The SDE Worksheet**
>
> Start from the tax return, add back what a new owner won't have, take out what it costs to replace the owner.
>
> growthroughacquisitions.com/tools/sde-worksheet

Adjust for the owner

The other big driver of value in a small company is how dependent it is on the owner, and this is where the accountant's number in Chapter 15 went forty percent wrong. Nobody wants to buy a job.

If the owner does work that a new owner will have to pay someone else to do, that cost comes out before you multiply. One lab owner in Chapter 13 was also the lead technician and underpaid himself, so sixty thousand a year came out of earnings before anything was priced. The consulting firm in the same chapter went further: the owner delivered a third of the

client work, so the buyer paid the multiple only on what the two remaining employees produced. You can't pay for earnings that leave with the seller.

And when the owner is the whole sales department, ask the question I ask every one of them. With a bigger company behind you, and no worry about staffing the work you sell, are there accounts over the years you could have won? A business development owner can usually name four or five on the spot. Then ask whether he'd like to go win them for you after the sale, as an independent contractor on an ongoing commission. Many would love to. I've watched owners go back to companies that had said no to them and bring in several hundred thousand dollars of revenue that way. That's compensation for him and growth for you, and it's how a weakness in the analysis becomes a term in the deal.

SDE or EBITDA

For a smaller, owner-run, family-type company, seller's discretionary earnings is the better number, and it's the one this book uses. Once the owner isn't the main operator, there's a management team in place, and the business isn't a pass-through that runs the owner's life through it, buyers switch to EBITDA. Chapter 3 has the arithmetic. As you roll up and your platform grows, you'll make that switch yourself, and the companies you buy at the top of the ladder will be priced on it.

The multiple for this company

Now the second number. Start from the industry, because every industry sells differently, and the way to know yours is to look for deals that have been done. Then the size, from the Sizing Ladder in Chapter 3. Then the characteristics of this particular business, which move it within its range: the drivers the Business Valuation Playbook scores. A marketing agency with long-term contracts that have teeth might sell for four or five times. The same agency living on one-time projects, two and a half. Recurring revenue, contracted revenue, customers spread out instead of concentrated, a team that runs without the owner, systems that are

written down. Each of those is a quarter point or a half point on the multiple, and they add up. And remember what I said back in Chapter 3: in my experience across the businesses I've worked with, real-world valuations run a little lower than the survey medians. Start from the ladder, then be honest about where the business actually sits.

Here's how I put it in writing to a buyer and a seller on a relationship-driven service business earlier this year, with the names off. Two years of seller's discretionary earnings averaged a hundred seventy-four thousand. Guardianship is a small, specialized niche with almost no published transaction data, so I anchored to the broader service-business benchmarks that buyers, brokers and lenders use: BizBuySell's industry multiples, the IBBA Market Pulse reports, the DealStats value index and the Pepperdine Private Capital Markets report, with the links, so both sides could check the data themselves rather than take my word for it. Across those sources, service businesses without long-term contracts commonly sell in the range of two to three times SDE, clustering in the middle. At two and a half, the valuation was four hundred thirty-five thousand: a cash-flow stream that pays back the price in about two and a half years if performance holds, which is conservative for a business like that. And because the accounts had to transfer for the buyer to be protected, the transition plan carried the adjustment if one or two didn't.

That's the whole method in one paragraph. One earnings number both sides agreed on. A multiple from data both sides can see. A payback period anybody can understand. And the risk handled in the terms rather than argued over in the price.

> **From the book to the tools · The Sizing Ladder Valuation**
>
> Put in revenue and earnings, and a Playbook score if you have one, and see the band, the range and the number.
>
> growthroughacquisitions.com/tools/valuation

There is no Zillow

People who come from real estate struggle here, and it's worth saying why. In real estate you can look up the comps before you make an offer. They're not perfect, but they give you a range, and that's why a real estate contract can be binding on day one with contingencies. A business isn't listed anywhere. You can't look up what a company like this one sold for last month, and even a formal appraisal takes time and disclosure. So you have to be Zillow yourself, and that's the real reason the letter of intent in Chapter 23 is non-binding: you can't know enough to sign a contract until you've done this work.

What you look at, beyond the earnings and the multiple, is the shape of the cash. Is it seasonal? Does the business run into trouble at the same time every year? How scalable is it? How do customers pay, and how fast? Real estate is cost per square foot, a finished basement, the neighborhood. A business is all of that in the numbers, and the numbers only tell you the truth from the customer backwards.

What makes a company worth buying

Not every business is worth buying, and a lot of businesses with weaknesses are. Here are the five things I look for, and what to do when one is missing.

Recurring, predictable, contracted revenue. You're buying future earnings, so the future has to be solid: repeat customers, contracts with some teeth, service level agreements. If it isn't there, ask whether it could be. I have a client right now with no contracts at all; you can look two weeks out on the books and see nothing scheduled, and yet the people are always busy. We're putting service agreements in place with the recurring customers, and that alone changes what the company is worth.

Low owner dependence, or a plan for it. Most small businesses depend on the owner too much. That doesn't mean don't buy it. It means compensate for it, as above, and structure the transition so his responsibilities shift to your staff on a schedule. Good margins. At least

twenty percent. Fifty percent is a business you don't have to think hard about.

Growth potential. Can you grow it from where it is, and what would it take? Expansion opportunities, and the operating investment they'd require.

Culture and fit. How the book of business and the shared customers land in your company; what you can cross-sell; whether the owner is somebody you like and can work with, because if he is, almost everything else can be worked out. I'm representing a buyer right now where the customers line up perfectly with his, and the company he's buying provides one service he's always wanted to offer and never had the expertise for. That acquisition opens a whole new business unit, and it's a profitable one. Some of what you're buying is know-how.

If a company checks all five, buy it. If it doesn't, it isn't the best; it just means you have to account for what's missing, in the price, the terms, or the transition. The one thing you can't compensate for is a seller who's impossible to work with.

Risk is an adjustment, not a verdict

When I analyze a company I'm performing a risk analysis, and I don't think in terms of deal killers. Everything I find gets negotiated into the structure.

Customer concentration: one or two customers that are a big share of the revenue. Chapter 12 showed you how to structure around it instead of walking away. Outdated systems: if you're going to have to move the customers and the workflow onto your platform, you can ask for a discount, because you'll be doing that work. Owner dependence, especially in sales: replace it, price it, or hire him back on commission. And look for the benefits that don't show up on the P&L. Expertise you don't have. A service line your customers have been asking for. A team member who could run part of your platform. If we make this acquisition, how does it fit, and what else comes with it?

The offer, in one line

Now say it. The seller's discretionary earnings are two hundred thousand. At three times, the offer is six hundred thousand, and here's how we got there. Every adjustment is a conversation about the multiple, not an argument about the price, because both of you are looking at one number.

It doesn't have to be a lowball. That business is worth more to you than to anyone else, because inside your company it carries your multiple. Chapter 3 is the reason you can pay a fair price and still win. Then run the buyer's test from Chapter 12 before you send the term sheet: profit greater than leadership plus the seller, at these numbers, or the structure changes.

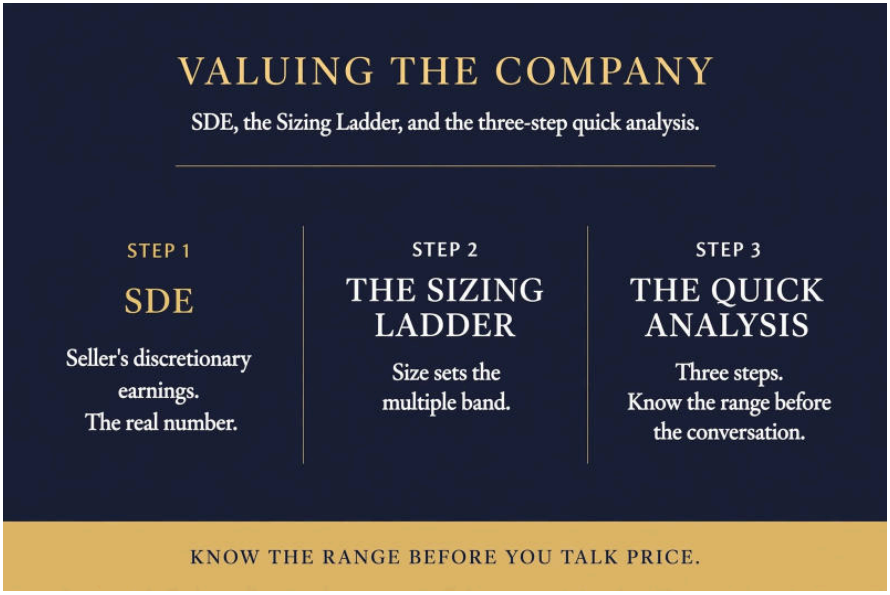
Sellers: value your own company today

Everything above is what a good buyer will do to your company. Do it first. Pull your profit and loss, build the add-back column, and get to your real SDE. Find your industry's multiple by looking for deals that have been done, and place yourself on the ladder. Then check yourself against the five traits and be honest. Would you be excited to buy your company? Or would you look at it and say, we've got some work to do?

And be careful who you take valuation advice from. The owner in Chapter 15 got three numbers before he got mine: an accountant who priced a sixty-hour-a-week job as if it ran itself, an insurance agent who said three times revenue, and a family member with a number from nowhere. We hear what we want to hear. If someone tells you your business is worth four times revenue, you feel like a millionaire for a day, and then no buyer ever shows up. Your net worth is tied up in this number. Get it from someone who buys and sells businesses, get it in writing with the data, and then, if you don't like it, go to the Business Valuation Playbook and change it.

One last thought before you move on: you're pricing a future family member here, not a commodity. Do it straight, so the number never gets in the way of the welcome. With the number agreed and the terms

sketched, you're back on the path from Chapter 23: the letter of intent, and then the thirty to ninety days of proving what you were told. That's Chapter 25.



Valuing the company.

CHAPTER 25

Diligence and Closing

Chapter 24 put a number on the company. This chapter is the last stretch: proving what you were told, and closing.

If you're the buyer, this chapter is the last stretch: what due diligence is really for, how much of it you need, how to keep it moving, and what happens on the day the money moves.

If you're the seller, it's what you'll be asked to show, why, and the one thing most sellers don't expect: closing day is not the end. In a business sale it's often where the work begins.

Why it matters to both of you: due diligence gets a reputation as the worst part of the process. It doesn't have to be. Both sides have to communicate, and both have to know what they're looking for. Do that and it's confirmation, not an ordeal.

What diligence is for

Diligence is two things, and buyers who only do the first get hurt by the second.

First, verify. Everything you were told, you now check, so you know what you're buying and that your assumptions were right. Second, plan. This is where you build the plan for how this company gets folded into yours: what happens when, which customers need what, which employees are coming and in what roles, what changes and what doesn't. Verifying without planning is how buyers close a deal and then spend the first ninety days improvising. Part Five is about bringing them into the family; the plan for it is written here.

Diligence scales with risk

Here's a principle nobody told me and I learned by doing it. How much diligence you need depends on how the deal is structured. If you're putting a lot of cash down, you had better spend serious time on diligence, on the legal structure, on everything, because that money is gone the day you close. If you're putting less down and paying the rest over time as a share of what the business collects, you're confirming rather than excavating. Not because you're careless, but because the structure protects you: if the revenue isn't there, the payments aren't either. The Shared Success Plan does part of the diligence's job.

Main Street doesn't need Wall Street's diligence. A public company acquisition comes with a legal team, six or eight months, and a bill that would buy a small company on its own. You don't need that. You need the bank statements, which don't lie, the tax returns, the customer list with revenue by customer, the contracts, the payment history, the payroll and the org chart. Look at those, structure the deal so you're paying on performance, and put the six months you saved into growing the business.

What to look at

I call the full package the Business Résumé. It is everything that tells you what the company really is: bank statements and credit card statements for two years, the P&L, the balance sheet, tax returns, the customer list with revenue by customer, the contracts, the payment history, payroll and the org chart. Get the whole résumé before you decide anything.

Start with the bank statements. This is the money truth. A P&L can be arranged; a bank statement can't. For a smaller business, the bank statements will tell you more than anything else. The P&L was written for the tax man. The bank statement was written by reality. When they disagree, believe the bank.

The Information Request in the toolkit at growthroughacquisitions.com is the full list, so nothing gets missed, and the SDE Worksheet turns the

statements into the one number the deal is built on.

Tax returns, to verify the top line.

The customer list, revenue by customer, ideally profit by customer, and the contracts or agreements that go with them. Concentration is an adjustment, not a deal killer, but you have to know it.

Payroll and an org chart, so you know who does what and who is coming.

Payment history: how fast customers pay, and whether anybody doesn't.

Systems and platforms: what they run on, what you'd have to move, what you can leave alone.

Legal: liabilities, leases, anything pending. This is where your attorney earns his fee, and it's not my department. And right before the transaction, talk to the people. The top five customers, so you know they're staying and what they expect. The key employees, so you know they're coming and what they need. Almost everything else in the data room is about the past. Those conversations are about the future you're buying.

Keep it moving

Thirty to ninety days, depending on the deal, and less is more. People want to get on with it, and every week that passes gives somebody a reason to change their mind. I've said it before: time is the enemy of all deals.

So be organized. Before the letter of intent is signed, you should already know what the seller will need to provide and what you'll need to see, and how long each will take. Then run a checklist and a calendar and keep both sides on it. Mr. Seller, here's my list; when I've seen these things, we move to the purchase agreement. That's clarity, and clarity is what makes a seller comfortable disclosing everything, which, let's be honest, can feel violating. He's showing a stranger literally everything about his company

on the strength of a non-binding letter and your word. Treat that with respect and move quickly.

When diligence finds something

It will. Out of every business I've looked at, almost none had everything in order. That's not a reason to walk. It's a reason to adjust. An outdated platform is a discount, because you'll pay to move it. An owner who's the sales department is a transition term, and maybe a commission arrangement afterward. A customer who's forty percent of revenue is a delayed first payment, or a bigger down payment on the rest and a smaller one on that account. In Part Two there's a deal where the whole gap between buyer and seller closed by moving the first payment from month three to month nine. Adjust the terms to the risk. And when the finding is about the person, not the business, that's different. If diligence shows you a seller who hid something material, or a buyer who isn't who he said he was, the structure won't save you. The people are the deal. Trust your read.

The purchase agreement and the closing

When everything checks out, you move to the purchase agreement. For most of the businesses in this book that's an asset purchase agreement, and it spells out everything: the price, what's paid at closing, how the rest is paid and when, how the price is allocated, what the seller does after closing and for how long, the protections for both sides in plain language, and the report both of you will look at every month. Part Two has all of that. Your attorney and CPA paper it, and the allocation and the tax treatment are their call, not mine and not yours.

The agreement is binding. You sign it, the money transfers, and you own the company.

The difference from real estate is worth one more sentence. When you sell a house, you get your money at settlement and you never think about the property again. I sold mine three or four years ago and I haven't mowed

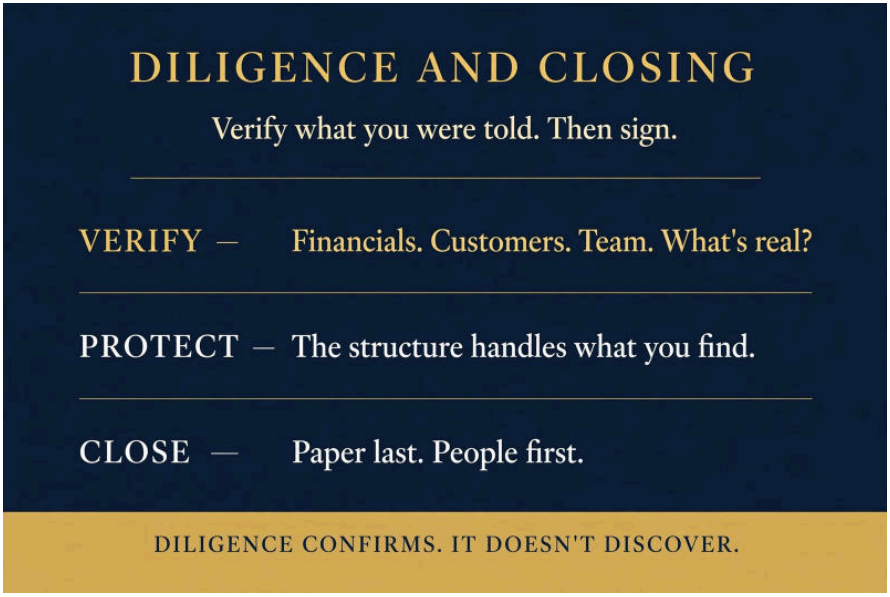
the lawn since. When you sell a business, closing is the day the transition starts. There's a price and there are terms, and a lot of the terms involve the seller doing things after the close to earn the rest of it, and the buyer doing things to make sure he can. That's why the relationship matters more than the paper. Main Street owners sit down, tell war stories, and become friends. That's the goal.

What happens next

Closing day the seller stops owning it and the customers don't notice anything at all, which is the point. Then the sixty-day transition begins: the seller introduces the top customers himself, trains his replacement, and hands over every arrangement that was never written down. After sixty days, anything further is its own agreement, on its own terms. The monthly report starts: revenue collected by customer, reconciled to the bank, times the percentage, equals the check. Both sides look at the same page.

Sellers, this is your last and most important job, and Chapter 14 is all of it. Buyers, don't overhaul anything on day one; let it breathe, learn it, be patient with improvements. The people closest to the customers are why you bought it.

And then you do it again. The second acquisition is easier than the first, because now you have a process that's been through a closing, a team that's brought a company into the family, and a seller who'll tell the next one you did what you said. That's the whole point of professional execution: not one clean deal, but a reputation that brings you the next ten. Chapter 26 is the first ninety days, and Part Five is what you build with them.



Diligence and closing.

CHAPTER 26

The First Ninety Days

Chapter 25 got you through closing. This chapter is the day after, and the ninety days that decide whether the deal you structured becomes the company you own. The paperwork made you the owner. These ninety days are what make you family.

If you're the buyer, this chapter is about the day after closing and the ninety days that follow. It's where the deal you structured becomes the company you own, or doesn't.

If you're the seller, it's the last and most important job you have in the business, and it's the reason the buyer needs you for a while after the money moves.

Why it matters to both of you: I've said throughout this book that the people closest to the customers are why the buyer made the acquisition. Bringing them into the family is where you find out whether he meant it. Get the people right and the numbers follow.

You're not there to fix everything

Here's the mindset for day one, and it's the opposite of what most buyers arrive with. You are not there to fix everything. Take care of the customers. Invest in the team. Look for improvements, and be patient about them. A smaller book of business where the employees come with it doesn't need a new platform, a new workflow, or a new name. Let it be. Let it breathe. Learn it.

Most of the acquirers I work with tell the customers exactly that: unless you ask us for a change or an improvement, the only thing you're going to notice is where the invoice comes from and where you send the payment. Same people, same service, same phone number. The customer notices

nothing except where the check goes, which is exactly what you want the customer to notice.

Everything you'll want to change can wait until you understand why it's done the way it's done. Some of it you'll change later. Some of it you'll discover was better than what you do, and you'll change your own company instead. You're always on the lookout for talent, systems, methods, even intellectual property in the companies you buy. Continuous improvement runs both directions.

The anxiety, and what to do about it

When people hear that their company has been acquired, they think of the movie from the eighties. Greed is good. Buy it, chop it up. Employees ask, are they going to fire me? Are they going to cut costs? Customers ask, what happens to the person I always call?

Skilled acquirers are good at making everybody relaxed, and here's how. Communicate. Show up, in person, early. Say it plainly: I've got your back. If something is changing that you don't like, come talk to me, and we'll talk about it. Then mean it. The key to bringing them into the family is communication, and the key to execution is everybody on the same page.

And this is where the seller earns the rest of his money. He is the only person the customers and the employees know, and Chapter 14 told you what that is worth. The ninety-day transition in the plans I structure is the heart of the first ninety days. The rest is follow-through.

The customers

Keep the customers happy. Not "during the transition." Period. Customer retention and customer satisfaction are the top priority after an acquisition, because the revenue you paid for is the revenue that stays.

Here's the order I work in, and it's the same order as the analysis in Chapter 23, because bringing them into the family is the analysis carried

out: from the customer backwards. Find every handshake arrangement, the way Chapter 14 said, and write every one down before closing. You will lose the customer over the one you didn't.

Meet the top customers, with the seller, the way Chapter 14 described.

Keep the people who take care of them on the account. If the seller's payments depend on revenue, and the revenue depends on two account managers, then the two account managers are the deal.

Track the money by customer from month one. Not clean books; trackable books. Know how much you make on each customer every month. That's the number your monthly report to the seller is built on, and it's the number that tells you, early, whether bringing them into the family is working.

The employees

The team is the business, and the plan for bringing them into the family has to be in writing, the way Chapter 14 laid it out: who stays, who leads, what changes and what doesn't.

A few things I've seen work. Give the people who make the revenue a reason to stay; Chapter 30 is where that idea goes. Be honest about what's changing; people can live with change they were told about and they can't live with surprises. Bring your own culture in by example, not by memo. And watch for the leaders you just acquired, because some of the best future leaders of your platform are inside the companies you buy.

One more thing, because buyers forget it. Honor the vendors. When a company gets acquired, the suppliers it's been doing business with can get caught up in it, and there's usually no reason for that. Give them a shot. Find a way to take care of them too. We're not in this to hurt the businesses around the one we bought; the win is supposed to go all the way around the table, and the vendors sit at it.

The systems

Operational fit can make or break an acquisition even when the customer base is perfect. Incompatible workflows, anything that has to change the day after the sale, can mess things up. So look at it before you close and plan it before you change it.

Ask three questions. What platform are they on, and what are you on? Do they match, and if not, do you have to move the customers, train the employees, or can you run two platforms for a while? And what do they do that's better than what you do?

A lot of people change platforms eventually, but not right away. When you do move customers, explain it to them: here's why this is better for you, here's what it means. And keep your own workflow accountable to theirs; the point of buying a company is not to make its customers adapt to you.

The ninety-day checklist Here's the skeleton I'd put on the wall.

Before closing: every handshake arrangement written down; the transition plan agreed, with the seller's role and dates; the employee plan in writing; the customer introductions scheduled; the monthly report designed.

Days one to thirty: the seller introduces the top customers; you meet every employee; nothing changes that the customer can see; revenue tracked by customer from the first month; the first monthly report on the fifteenth; the first thirty-day check-in against the scorecard in Chapter 10.

Days thirty to sixty: the seller's replacement is trained and doing the work; the second monthly report and the second check-in; the first quiet improvements, where the team asks for them; any systems decision made but not necessarily executed.

Days sixty to ninety: the transition ends on day ninety and any further role for the seller becomes its own agreement; the ninety-day scores go

in; you review retention, customer by customer; you write down what the first acquisition taught you, because Chapter 29 is about the second one.

> **From the book to the tools · The First Ninety Days**
>
> The checklist from before closing to day ninety, to print or download.
>
> growthroughacquisitions.com/tools/ninety-days

Organic growth still matters

One thing sellers will ask you before they sell, and you should be ready to answer with a number: what's your customer retention rate? What's your customer satisfaction? They care about the cultural fit after they're gone, because they care about their employees and their clients. Being able to say we retain ninety-four or ninety-eight percent of our customers, and here's how we do it, is one of the most positive things you can bring to a seller's table.

So keep the organic engine running while you integrate. Think of the rollup as the accelerant, gas on a fire that's already burning. Customer acquisition, customer retention, operational excellence: that's the foundation the roll-up builds on, and it's how you take care of the customers you just bought exactly the way you take care of the ones you won yourself. Then you've got a machine: always growing, nicely diversified, and ready for the next one.

That machine has a name. It's a platform company, and Part Five is about building it. First, Chapter 27: what a platform company is, and how the same characteristics that make a company worth more, the ones the Business Valuation Playbook scores for you at growthroughacquisitions.com, show up in your own company. And then you keep adding to the family. Chapter 29 is about the second one.



The first ninety days.

PART FIVE

The Platform

What it all builds

CHAPTER 27

What a Platform Company Is

Chapter 26 ended with a machine: always growing, nicely diversified, ready for the next one. This is the machine.

This chapter is about the most valuable kind of company you can build, and the one private equity is looking for when it goes shopping: the company other companies get folded into. A platform company commands the premium multiple. Everything else in this book, the arbitrage, the roll-up, the Shared Success Plan, works better when it's happening on a platform. And you don't have to be one to start. You have to be building one. If you're the seller, it's the buyer you want to be found by, and, if you've got a few years, the buyer you could become.

Uncle Dave didn't set out to build a platform. He set out to get past two million. Somewhere between the first handoff and the third, the company changed underneath him: the systems his crew wrote down so the six new people could learn them, the office that could absorb a second company's billing without adding a person, the numbers by customer he'd never kept before. By the time the strategic buyer called, what they wanted wasn't the revenue, which had more than doubled in three years. It was the machine that produced it. This chapter is about that machine, and the first thing to know is that Dave didn't wake up one morning as a platform. He decided to be one.

The definition, in one sentence

A platform company is a business with the standard operating procedures, the people and the processes in place to stack other businesses onto it.

That's it. When private equity raises money, they look for exactly that: a company that's very good in its niche, that has the systems and the leadership, that has done acquisitions or is ready to, and that other

companies can be rolled into quickly. Once they have it, they aggressively look for add-ons. The platform is what makes the add-ons worth more than they were on their own.

Step zero: decide to be one

Here is the step that comes before every step in the next chapter, and I want to be very intentional about it, because it's a mindset before it's a project.

You decide to be a platform company. You transfer your thinking. You begin to look at your company the way an investor looks at it, because you are its largest shareholder, and you start making decisions based on what makes the company more valuable, stronger and less risky, not just on what gets this week's work out the door. That is a different mindset from the entrepreneur's, and Chapter 1 asked you for it. Here is where it has to show up in your calendar. An entrepreneur runs the daily operation. An investor builds the systems that make the operation worth more. You'll do both, but from the day you decide, the second one gets protected time.

That decision is the difference between an owner who makes an acquisition and an owner who becomes the company acquisitions are made into. Dave made it the week after his first handoff, when he realized six new people were asking his crew how things were done and nobody could point to a page.

Platform versus holding company

People confuse two things, so let me separate them.

A holding company owns businesses. It might own five companies in five industries, each run on its own, with the holding company allocating capital from the top. That's the financial roll-up Morgan ran from a bank in Chapter 17, and it's what Berkshire is today, which Chapter 18 covers. A platform company runs businesses. The companies it buys join a family of companies: same systems, same back office, same leadership, same

way of taking care of customers. A horizontal roll-up, the kind this book is mostly about, is built on a platform, not a holding company. The value comes from the integration, not from the ownership.

You can be both eventually. But if you're a Main Street owner doing a roll-up in your own industry, what you're building is a platform, and the difference matters, because a platform gets the premium and a collection of separate companies usually doesn't.

What makes a platform valuable

Here are the characteristics, and they'll look familiar, because they're the same ones the Business Valuation Playbook scores, in the toolkit at growthroughacquisitions.com that goes with this book.

It runs without the owner. A platform has a leadership team that makes decisions, not an owner who makes all of them. That's the single biggest thing a buyer pays for, and the single biggest thing that lets you make the next acquisition without the wheels coming off.

The systems are written down. When a company gets folded into yours, its people need to be able to learn how things work by reading, not just by asking. That's what "stackable" means in practice.

The numbers are clear, customer by customer. Not clean books; trackable books. A platform knows what it makes on every account, so it knows what it's buying when it buys another book of business, and it knows within a month whether the integration worked.

Performance is measured. Key performance indicators, tracked, so the business is run on numbers and the leadership team is accountable to them. What gets measured gets improved.

The people have clear roles and a reason to stay. Clear responsibilities, a culture that keeps good people, and, where it fits, a stake in what they're building.

It's ready to be looked at. The Business Résumé: the financials, the customer data, the contracts and the systems documented and current, so that a buyer, a lender or a partner can see the company in days rather than months. A platform is always sale-ready even when it has no intention of selling, because the same readiness is what lets it buy.

Standard business	Platform company
Depends on the owner	Runs without the owner
Processes live in people's heads	Systems written down, so a new team can learn by reading
The owner makes the decisions	A leadership team makes the decisions
Knows what it earns in total	Knows what it earns on every customer, every month
Growth limited by the owner's hours	Growth limited only by what it can absorb
Scrambles to assemble its records when asked	Business Résumé current, all the time
Sells at the bottom of its band on the Sizing Ladder	Sells at the top of its band, and beyond it, because the buyer is getting a machine

Score it: the Business Valuation Playbook

The Playbook is how you know where you stand, and it's the first tool in Part Five because everything in the next three chapters moves a number on it. Five pillars, twenty-one drivers, each scored one to six, for a total between twenty-one and one hundred twenty-six. The score places your company inside its band on the Sizing Ladder: a low score sits at the bottom of the band, a high score at the top. The drivers are below. What each one measures, and how to move it, is in the toolkit.

Pillar	The drivers
Financial strength and scalability	Scalability and growth engine. Financial strength and profitability. Revenue quality and predictability. Cash flow and financial planning
Human capital and systems	Leadership depth and owner independence. Workforce stability and talent. Culture and performance systems. Operational systems and scalability
Market position and relationships	Customer retention and satisfaction. Customer and vendor concentration. Market position and competitive moat. Industry conditions and timing
Operations and systems excellence	Core operating systems and SOPs. Automation and efficiency. Proprietary methods and IP. AI and digital maturity. AI industry impact
Business Résumé and Shared Success Plan readiness	Data room preparedness. Integration readiness. Transition success commitment. Creative deal structure flexibility

Here is how to use it, and it takes about twenty minutes the first time. Score your company honestly, driver by driver. Don't argue with yourself; put the number down. The scorecard gives you the total, places it on the ladder for your size, and names the three drivers with the most room, which is where the next chapter's work starts. Then score it again every quarter. The first time Dave scored his company, the low drivers were the ones you'd expect in a two-million-dollar business that one man had built: owner independence, written systems, and numbers by customer. Three handoffs later those were his strongest, and they were what the strategic buyer asked about first.

Sellers, score yours too. The same twenty-one drivers are what a good buyer is scoring you on from the parking lot, and every one you move before you go to market is paid for at the multiple.

> **From the book to the tools · The Business Valuation Playbook**
> All twenty-one drivers, one to six each, and the three with the most room.
> growthroughacquisitions.com/tools/playbook-scorecard

Why buyers pay more for a platform

Go back to the arbitrage. A small company might sell for two and a half or three times its earnings. A platform, with a team, systems, diversified customers and a track record of acquiring and integrating, sells at the top of its size range and beyond, because the buyer is getting a machine, not a list of customers.

The reasons a buyer pays more are the reasons you built it. They're buying a system that works, not a person who works. They can see how to keep growing what you built, because you've shown it grows. They don't need you for the business to succeed. And they can add more businesses to it, which means your company is worth more to them than its own earnings would say. In the market data behind the Sizing Ladder in Chapter 3, the multiples buyers pay for a platform at scale run well above what the same earnings fetch in a standalone company. Ranges, not rules, and the Playbook is where you earn them, driver by driver.

There's a second reward that's less obvious, and Chapter 3 touched it: the record of folding companies in is itself what investors want to fund, partner with or buy. When you go looking for capital for your fifth acquisition, the fact that you integrated the first four is the pitch. And it opens doors you didn't know were closed. In a lot of industries you can't respond to certain requests for proposals until you're a certain size. Suppliers treat a bigger company differently. Credibility compounds along with the earnings.

You don't wake up one day as a platform

I want to correct something, because I've seen it in drafts of this book and I hear it from owners all the time. People talk as if a platform company is

a different kind of business you arrive at, and until you arrive you can't make acquisitions, and if you try, everything collapses. That's not true at all.

A platform company has those characteristics, and you're always working toward them. Working toward them does not exclude you from starting. Add a couple of small companies to the family first, the way Chapter 1 said. You fold them in, you take care of the customers, you learn. Then get committed to building the platform out, because that's where the multiple comes from and it's what lets the third and fourth deals go faster than the first.

What a roll-up does is force you to become operationally excellent, because you're about to put other people's businesses on your systems. You don't need to be excellent before your first small acquisition. You need to be honest about where you are, and improving. That is exactly what the scorecard is for.

Building the platform before you own it

One more idea, because it's one of the most useful things I've worked on. Sometimes the platform doesn't exist yet, and you can build it with the sellers themselves.

I had a client with a learning center and its building, ready to sell. We had an offer on the table for the business and the building, and the buyer withdrew it over a state funding question that had nothing to do with her. As we talked it through she said, there are so many people in my situation, fifty-six years old and ready to leave, and this is going to hurt all of them.

So we started designing something else: find six or seven centers in the same region whose owners want out, put them together in a partnership that consolidates the financial statements and the operating procedures, and present them as one company. One center is a small deal for the buyers in that industry, and the licensing rules, which require certified management on site, make a single location hard for an outside buyer to

absorb. Six or seven together, with the management in place, is a platform. Instead of each owner selling a one-million-dollar center at a small-business multiple, the bundle could be worth ten or fifteen million to the private equity and franchise buyers who are already in that industry, and the owners agree up front to share the platform's multiple instead of each taking a single-location price.

That's building your own platform, with partners, for the purpose of a roll-up, before anybody has bought anything. Six or seven owners on the same side of the table, building the thing they'll sell together. It isn't for everyone. But it shows you what a platform actually is: not a size, not a title, but systems, people, numbers and readiness, assembled so that businesses can be stacked. The next chapter is how you assemble one, step by step, while you keep adding to the family.



What a platform company is.

CHAPTER 28

Building the Platform: Six Steps

Chapter 27 said what a platform is. This is how you build one: how you turn the company you have into a platform, step by step, while you keep adding to the family. Read it the other way if you're the seller: every step you take on it raises what your company is worth, whether you sell in two years or ten, and it's exactly what a good buyer will be looking for. The platform isn't built in a seminar. It's built in your business, one system at a time, and the steps below are the ones I've watched work at Main Street scale. Do them in order. Don't do them all at once.

Each step moves a driver on the scorecard from the last chapter, so I'll name the driver as we go. And each one looks different at two million than it does at five, so I'll show you both, with Dave at both sizes.

Step one: write down how things work

The driver: core operating systems and SOPs.

Start with the processes, and start small. Pick the one process that matters most in your business, the one that takes care of a customer from order to invoice, and write it down this week. Not a manual; a checklist is fine. The test is whether a new person, or a whole new team from a company that just joined the family, could learn how it's done by reading it rather than by asking you.

Then do the next one. Over a year you'll have the standard operating procedures that make you stackable, and you'll have found the places where your own company was running on memory. Every one of those is a risk you didn't know you had.

At two million, this is you and one lead person, an hour a week, writing down what you already do. Dave's first page was how a job gets closed out and invoiced, because that was the one his six new people kept asking

about. At five million, it's a living library the leadership team owns, with a name on every process and a review date, and it's the first thing a strategic buyer asks to see. Chapter 7 told you the AI tools will write the first draft from a recording of you explaining it. Let them. Your job is to make sure the page says what actually happens.

Step two: build a leadership team

The driver: leadership depth and owner independence.

The owner who makes every decision has a job, not a platform. As you add businesses you need people who can run parts of the whole: operations, the customer side, the money. Look for the people who want to grow and can take on more, and give it to them. Some of your best future leaders will come from the companies you buy; when you integrate, watch for them.

This is the value driver buyers pay most for, and it's the one that lets you go make the next deal while the last one is still settling. If you can't leave for two weeks without the place wobbling, that's the step you're on.

At two million, it's one person: identify the one who could take more responsibility, and give it to them this quarter. At five million, it's three seats filled, and at least one of them should have come in with an acquisition. Dave's operations lead came with his first handoff, one of the six. That's not luck. The companies you buy were built by people who ran them, and some of those people are better at parts of your business than you are.

Step three: know what you make on every customer

The driver: financial strength and profitability, and it feeds customer concentration too.

Set up the simplest possible tracking: revenue and gross profit by customer, every month. Do it for your top ten this week and the rest as you go.

I've taken owners through this exercise more times than I can count, and it always turns up the same thing: one or two customers, usually long-term, sometimes large, that the owner is making much less on than he thought. I've had owners with million-dollar accounts discover they couldn't afford to keep them at the current rate. One told me, with a laugh, that he'd worked out he was losing fifty dollars every time he did business with a certain customer. You cannot run a platform on averages. You run it on the number for each account, and it's the same number the monthly report in a Shared Success Plan is built on.

At two million, it's a spreadsheet with ten rows. At five million, it's the first page of the monthly dashboard, across every company in the family, and it's how you know within a month whether the last integration worked. It's also what the next seller will ask you about before he sells, because he wants to know his customers will be taken care of by people who know what they're worth.

Step four: build the central services

The driver: operational systems and scalability, and it's where the margin comes from.

This is where the economies of scale that the roll-up math promised actually come from, and they don't happen by themselves. One back office instead of five. Shared purchasing power with suppliers. One set of software, or a plan to get there. Shared marketing. Strategic direction from the center, with operations left to the operators.

Central service	What one of them does for five companies	Where the margin shows up
Accounting and billing	One set of books, one invoice format, one collections process	The bookkeeper you didn't hire four more of; faster collections, which is cash
Payroll and human resources	One payroll run, one benefits plan, one way of hiring and onboarding	Better rates on benefits at five companies' headcount than at one's
Purchasing	One account with each supplier, at the volume of the whole family	The discount a two-million-dollar company never gets and a ten-million-dollar one always does
Software and systems	One platform, or a plan to get there, with the customers moved when it's better for them	Licenses, training and support bought once; data in one place
Marketing	One brand, or several, with one engine behind them	Cross-selling between the companies you've combined, which Chapter 16 counted as the biggest thing the ten-year table leaves out
Leadership	Strategy from the center; operations left to the operators	The owner's time, which is the scarcest thing in the company

Build it as you grow, not before. The first acquisition can run on its own systems for a while; by the second, you want the accounting consolidated; by the third, you want the central services to be the reason the next company is more profitable inside your family of companies than it was outside it. Chapter 16 put a number on why this matters: every point of margin at year ten is worth six times itself, because it's capitalized at the platform's multiple. That's what the buyer of your platform will pay for someday, and it's what makes each add-on worth more the day you close.

For the pieces you can't or shouldn't build yourself, there's another way, and I've used it. Relationships with business process partners, outsourcing firms that integrate with your systems and manage the people you route to them, let a growing company add capacity without hiring for every step. A revenue cycle company I work with has made several acquisitions that way, with its own technology and a workforce that's partly hired and partly partnered.

Step five: measure it

The driver: culture and performance systems, and customer retention and satisfaction.

Pick the handful of numbers that tell you whether the machine is working, and look at them every month. Put them on a dashboard the leadership team sees. What gets measured gets improved, and what gets measured across five companies is how you run a platform instead of five businesses.

The number	Why a platform tracks it	Why a seller will ask you for it
Customer retention rate	It's the proof the integration worked	He wants to know his customers will still be there in two years; "we retain ninety-four percent, and here's how" is the best thing you can bring to his table
Revenue and gross profit by customer	Step three, kept current	He wants to know you'll value his accounts the way he does
Gross margin, by company	Whether the central services are earning their keep	It's what his payments under a Shared Success Plan depend on
Cash, and the reserve kept in the business	A bad month shouldn't be a crisis	His payments come from it
Signed work and backlog	Chapter 4's four stats, from the buyer's side now	It's the number he'll use to size you up as a buyer
Integration status of every company bought	Which one needs you this month	He's about to be one of them

This is also where technology earns its keep. Use it the way Chapters 6 and 7 described: to make your people more productive so you can grow, not to cut them out. The same tools that automate a workflow can drive marketing, and if your team spends less time inside the workflow it can spend more time growing the business.

At two million, the dashboard is one page you update yourself on the first of the month. At five million, it's the agenda of the leadership meeting, and the integration line is where Dave spends his attention, because the company that needs him this month is never the one he expects.

Step six: keep the Business Résumé current

The driver: data room preparedness, and the whole fifth pillar with it.

The last step is the one that ties the others together. Keep your financials, your customer data, your contracts, your org chart and your systems documented and current, all the time, so the company can be seen in days: by a lender, by a partner, by a buyer, or by you when you're deciding whether you can afford the next deal.

I owe the name to a client of mine, an owner who has served thousands of families, who is the one who thought to call the data room a business résumé. She's right. It's not a file folder for the end of a sale. It's the story of what you've built, kept ready. A platform is always sale-ready, not because it intends to sell, but because readiness is the same thing as being able to buy.

Three kinds of data make it real, and they're the same three every deal in this book runs on. The money: bank statements and credit card statements, the truth behind the P&L, the tax returns, the balance sheet. The people: a payroll census and an org chart. The growth engine: revenue by customer, the contracts, the payment history, and an inventory of the systems. Keep those three current and you can structure a deal, or be structured into one, in days instead of months.

Here's the test, and it's the tool. The Information Request in the toolkit is the list I send a seller in Chapter 23: everything a buyer needs to see a company whole, with the four things to ask for first. Run it on your own company today. Every item you can't produce in an hour is a line on the résumé you haven't written yet. Dave's company failed that test the first time he tried it, the way almost every company does. By his third handoff, his office could send the whole package the same afternoon, and that was the afternoon the strategic buyer decided he was serious.

> **From the book to the tools · The Information Request**
> The full list, with the four things to ask for first.
> growthroughacquisitions.com/tools/information-request

Working on it, not just in it

None of this happens if you spend every hour running the business. You have to block real time to work on the systems rather than in them, and protect it. That time is where the multiple is built.

Here's the sequence again, and the order matters. Write down one process this week. Identify one person who could take more responsibility. Start tracking profit for your top ten customers. Consolidate the back office as the second company comes in. Put the numbers on a dashboard. Keep the résumé current.

Step	At two million	At five million	The driver it moves
Write it down	One process, one page, this week	A living library the leadership team owns	Core operating systems and SOPs
Build the leadership team	One person given more	Three seats, one filled from an acquisition	Leadership depth and owner independence
Know every customer's number	Ten rows in a spreadsheet	Page one of the monthly dashboard, across the family	Financial strength; customer concentration
Build central services	Consolidate the books when the second company arrives	One back office that makes each add-on more profitable	Operational systems and scalability
Measure it	One page, the first of the month	The leadership meeting agenda	Performance systems; retention
Keep the résumé current	Pass the Information Request on yourself	Send the package the same afternoon	Data room preparedness

Do those six things over a couple of years and you'll have built the company private equity is looking for. Whether you sell it to them, partner with them, or keep buying without them is your choice. Score it again on the Playbook each quarter and watch the total move; that's the multiple moving with it.

The next chapter is about what happens when you do this while you're buying: the second and third acquisitions, where the platform, your family of companies, starts to pay you back.



Building the platform: six steps.

CHAPTER 29

Your Second and Third Acquisitions

Chapter 28 gave you the six steps. This is where they start paying you back.

This chapter is about the moment the strategy turns into a machine. Single deals create income. A repeated, systematic habit of adding to the family creates the platform, and the platform creates the wealth. This is the chapter where it compounds. Sellers, it's also about why a buyer who's done it before is the buyer you want, and how to tell one from a buyer who's about to learn on your company.

Dave's first handoff was in his own market: a local business, the same kind of customers, six people, folded in without changing the name on the door. His second and third were the ones that made him a different company. Both were in a top-five market for his industry, a market he'd have spent years and a fortune opening on his own. He bought his way in instead, from two operators who were already there. One was horizontal, the same work for the same kind of customer. The other was vertical: a piece of his own workflow that had been going out the door to somebody else's shop, and after the handoff it was his. This chapter is how those two deals go, and why they go faster than the first.

What the first one taught you

Before you go looking for the second company, sit down and write out what the first one taught you. Not the numbers; the lessons.

Where did the process stall, and why? Usually it's a missing document, an unclear timeline, or a conversation that should have happened earlier: with the two account managers, with the biggest customer, with the seller about what he actually wanted. What did the seller need that you didn't ask about until late? What did the customers notice, and what did they not? Which employee turned out to be the one holding it together, and

did you know that before closing? What did you change too early, and what should you have changed sooner? What did your own company have to fix to absorb it, and is that fixed now?

Then put every answer into the process: the checklist, the term sheet, the transition plan, the ninety-day calendar. That's what "systematic" means. The second deal runs on a process that's been through a closing.

Why the second one is easier

A few things happen after the first deal that make everything after it faster.

Your team has done an integration. The anxiety of the first one is gone; they know what day thirty looks like and what day ninety looks like. Your process has been tested, so you're not fumbling for the agreement when an owner says yes. And, most of all, your reputation is out there. The seller from the first deal is telling people. His employees are telling people. If it went the way this book teaches, they're saying: they did what they said, the customers never noticed, and everybody's still here. There's no marketing you could buy that does what that does. That's how you earn the next handoff. It's how the two operators in Dave's new market knew his name before he'd ever been to their town.

The other thing that happens is that you're bigger. Twenty to thirty percent of a company that just grew by a quarter is a larger company than the one you could safely buy last year. As you roll, you're able to make larger acquisitions. Somewhere between twenty and thirty percent of your revenue is the sweet spot; it seems to work best, it tucks in, and if you buy it right and structure it with a Shared Success Plan you're not stretching your cash.

The second deal, by the numbers

Let me run the second deal the way the toolkit runs it, on the round numbers from Chapter 16, so you can see what changed.

You started at two million in revenue, earning four hundred thousand. Your first handoff was a company at a quarter of your size, about five hundred thousand in revenue. Now you're doing two and a half million, and the size rule says the second company can be about six hundred twenty-five thousand in revenue, call it a hundred twenty-five thousand in earnings. At three times earnings, that's three hundred seventy-five thousand.

Here's the part the first deal couldn't show you. Your own company is bigger now, and a bigger company carries a higher multiple. Say you've moved from three and a half times to four. The Day-One Arbitrage tool takes three numbers, the target's earnings, the multiple you pay, and the multiple your company trades at, and tells you what those earnings are worth inside your company the day you close. A hundred twenty-five thousand of earnings, bought at three and valued at four, is worth five hundred thousand on your side of the table against three hundred seventy-five thousand paid. That hundred twenty-five thousand of value is created on closing day, before you've improved anything. The first deal created it too. The second creates more, because your multiple moved. The third creates more again. That's the arbitrage from Chapter 3, compounding, and the tool checks the size rule against your revenue while it's at it.

> **From the book to the tools · The Day-One Arbitrage**
> What the target's earnings are worth inside your company the day you close.
> growthroughacquisitions.com/tools/arbitrage

Then structure it so your cash isn't stretched, which is the whole reason the play can be run again. The Shared Success Plan Structurer takes the agreed price, the company's collected revenue and earnings, the down payment, and either the share of revenue or the term, and solves for the other. Half down on three hundred seventy-five thousand is a hundred eighty-seven thousand, out of the half million your company earned last year. At twelve percent of collected revenue, the Structurer shows the balance paid in about two and a half years, with a market wage still in the

business for whoever runs the company and a reserve kept for a slow month. It shows the seller's side too: what he nets against a cash sale, year by year. Run it before you make the offer, and run it again with the seller on a screen share, because a plan he watched you build is a plan he trusts.

> **From the book to the tools · The Shared Success Plan Structurer**
>
> Build one plan, run the buyer's test, see both chairs and the year-by-year, and get the thirty-second version.
>
> growthroughacquisitions.com/tools/ssp-structurer

Those are illustrations on round numbers, not your deal. But that is exactly how Dave's second handoff was built: a quarter of his size, priced on the seller's earnings, half down out of the previous year's profit, the rest from the revenue the company collected, and the seller introducing his customers in the new market himself. The third handoff, the vertical one, was priced the same way and paid for faster, because the piece of workflow he'd been buying from that shop was now margin he kept.

Buy, reinvest, repeat, the way Chapter 16 showed you. Always have an acquisition plan, so you know what you're looking for before you go looking. And guard against deal fever, which gets worse, not better, once you've had a taste of success: the second deal is the one where you're most likely to reach.

The second-deal checklist

Everything the first deal taught you, as the list you run before the second one.

Before the second deal	The test
The lessons from the first one are in the process	The checklist, the term sheet, the transition plan and the ninety-day calendar all changed after the first closing
The books are consolidated	One set of accounting for your company and the first acquisition, so the second lands on a platform, not a pile
The size rule holds	The target is twenty to thirty percent of your revenue now, not of what you were
The day-one arbitrage is positive	Your multiple is above the multiple you'll pay, checked in the tool
The structure pays for itself	The Structurer shows a market wage and a reserve left in the business after the seller's payment
Someone else owns the last integration	The first company has a leader who isn't you, so you can be at the second seller's table
The first seller will take a call	He's your reference, and the second seller will ask

Managing more than one

Here's the honest challenge of the third acquisition. You are now running your company plus two others, and if the platform isn't being built, you'll feel it.

Three things keep it manageable. The central services from Chapter 28: consolidate the accounting by the second deal and the rest as you go, so you're running one back office and not three. The leadership team: by the third acquisition someone other than you has to own operations, someone has to own the customer side, and someone has to own the money, and some of those people should have come from the companies you bought. And the numbers: revenue and profit by customer across every company, on one dashboard, monthly, plus the integration status of each acquisition, so you can see which one needs you this month.

Don't rush to standardize everything; Chapter 28 gave you the order. One set of books by the second deal, and by the third the central services that make each new company more profitable inside your platform than it was outside it. That's the whole economic argument of Chapter 3 coming true, and it only comes true if you build it.

Dave's third handoff is where he felt it. Three companies, two markets, and an operations lead who had come in with the first deal and was now running the integration of the third while Dave sat at the seller's table. That's the picture: the owner at the table, the platform doing the integration. If you're doing both yourself on the third one, the platform isn't built yet, and the fourth will have to wait until it is.

The buyer who's done it before

Sellers, this is your chapter too, and it's short. In most industries there are several buyers you could sell to. The one who's done it before is worth more to you than the one who hasn't, because your customers won't be his experiment, your employees will join a company that knows how to welcome them, and his process won't stall on a document he forgot to ask for.

How do you tell? Ask him what his first acquisition taught him. A buyer who has one will answer for ten minutes. A buyer who doesn't will change the subject. What you're really checking is competence and character, and ten minutes of honest answers tells you both. Ask to talk to the owner who sold to him. And check whether he's on the list from Chapter 28: systems written down, a leadership team, numbers by customer, a résumé he can show you. If he has all of that after two deals, he's the one.

A story about what could have been

Years ago I helped a couple sell a very successful business. They'd made about a million and a half dollars a year for decades. For about five years before the sale, they'd been dabbling in software, investing well over a million dollars trying to build a product in an industry they knew nothing

about, property management, completely different from their business. It didn't work.

When we sold the company, for six million dollars on very favorable terms (it's the public-buyer deal in Chapter 13), the wife said to me: Brian, if we'd taken that million and bought companies in our own space, what would we have been able to do with it? I just kind of looked at them, because we both knew. They were tremendous operators. With that million invested in what they knew, buying accounts in their own industry, they'd have easily added another five million to what the company sold for.

Their company had a weakness, too: three accounts were seventy-eight percent of the revenue. We still got a very good multiple, and the five-year agreements that lifted the price from 2.8 times to 5.1 came straight out of the Business Valuation Playbook.

I tell that story here because it's the whole section in one deal. The money was there. The operating skill was there. What was missing was the decision to rinse and repeat what they knew instead of chasing what they didn't. The second and third acquisitions are that decision, made on purpose. Run that million through the Day-One Arbitrage tool at their multiple and you'll see what the decision was worth.

Building the machine

By the third acquisition you should have all of this: a written process that's been through three closings, a team that's integrated three companies, a leadership team that runs the platform day to day, a back office that makes each new company more profitable than it was, numbers by customer across the whole thing, a reputation that brings owners to you, and a company whose size lets you buy something bigger next year than you could this year.

That's the systematic acquisition machine. It's what the private equity firms build with a platform and a fund. You're building it with your own company and the Shared Success Plan, adding to the family one company

at a time, at Main Street scale. The math is the same. Only the zeros are different.

It's where Dave is right now: a company that has more than doubled in three years, three handoffs, a team that has run the playbook three times, and a roadmap with the next markets already drawn. The last chapter is about what it's for.



Your second and third acquisitions.

CHAPTER 30

Building Your Legacy

Chapter 29 showed you the machine. This is what the machine is for.

If you're the buyer, this is the chapter about why you're doing all of this. Not the money, though the money is real. What the money is for.

If you're the seller, it's about what happens to the thing you built after you're gone from it, and why the way you sell it decides that.

Why it matters to both of you: this is not a get-rich-quick book. It's a get-rich-once, for generations, book. What you build with a roll-up done right is the kind of thing you can hand to your children's children, and so is what you sell into one.

The George Bailey approach

There's a line I use, and I mean it: George Bailey, not Gordon Gekko.

Gordon Gekko is the buyer everybody's afraid of. Greed is good, buy it, chop it up, sell the parts. George Bailey is the man in "It's a Wonderful Life" who kept the building and loan going for the people in his town when it would have been easier to sell to Mr. Potter. When I told you in Chapter 2 about the guys in small towns like the one I grew up in who buy the restaurant, the print shop and the grocery store, that's what they're doing. They're not doing it to be greedy. They're doing it to protect the community, keep the jobs there, keep the doors open.

That's the model for a Main Street roll-up. The businesses you buy stay open. The people keep their jobs, in a company with more opportunity than the one they were in. The customers keep the service, from the same people. The owner who sold gets paid for what he built and watches it keep going. And the town keeps a business that would otherwise have closed when its owner got tired. Multiply that by every acquisition you

make, and you've done something for a community that no amount of charity does: you kept its businesses alive.

People ask me what the biggest deal I've ever done is, and I tell them I'm not impressed with the big deals. Those have the accountants and the diligence and everything goes fine. I'm interested in getting the little ones done, the Main Street ones. Many small business owners don't have a retirement plan; their business is the retirement plan. Two thousand dollars a month for two and a half or three years matters to a family that would otherwise work to sixty-seven for a Social Security check about that size. These little deals make a big impact on many, many families, and a roll-up buyer who does ten of them has changed ten families and one town. That's the legacy I'm talking about.

Wealth you control

Chapter 16 told you where I've watched the money get made: by owning businesses, not paper. Here is why that belongs in a chapter about legacy, and I'll say it the way I say it to owners.

When you invest in your own company, you control the outcome. You're not a passenger on somebody else's ride. A business with predictable cash flow is more knowable than a stock price; you can structure it, grow it, and watch the value show up in real time. Growing it by acquisition compounds something you control, which is why a roll-up is the most reliable way I've found to grow what an owner is worth. And here is the part that matters most to this chapter: wealth built in a business can be handed down. A well-run company keeps growing after the founder steps back. A market can take back in a year what it gave in ten; a platform with systems, people and numbers that don't depend on any one person keeps paying the family that built it. That's not advice about your portfolio. It's what I've watched happen, for twenty-five years, to the owners who did this and the owners who didn't.

Ownership for the people who build it

Here's a piece of the legacy that I think about more every year. The people who make the revenue should have a way to own a piece of it.

In the learning center deal the director who stayed had ten percent, and in another deal an allocation was set aside for the employees. My seller questionnaire asks every owner whether the management team should carry a piece. None of that is standard, and I don't want to pretend it is. But it points somewhere. Local ownership, kept: the executive team or the key people holding back ten percent as their reward and their reason to run it well. And from there, a path: roll the company up to a certain size, and sell some of it, or all of it, back to the employees, and make as many millionaires as you possibly can. That's how a platform becomes something employees can eventually own, and how a legacy outlasts the family that started it.

I have a client in a technical service business who is investing heavily in automation, and not to cut people. He's doing it so the technician who makes seventy-five thousand dollars, and who watched the grocery bill for feeding two kids hit four hundred dollars, can make more. Chapter 6 told that story from the labor side. That's the spirit of it. Use the platform to lift the people, and the people will build the platform.

Dave's handoff

I told you in Chapter 1 that by the end of this book Dave would be the buyer sellers call, and that when his own day came he'd be a better seller for having been one. Here is that day, the way I've watched it go for the owners who built it right.

He doesn't go to market. The strategic buyer who called him in Chapter 3 is sitting across the table, and what they're buying isn't a company that more than doubled in three years. It's the machine: three handoffs, a crew that has run the playbook three times, numbers by customer across two markets, a Business Résumé that arrived the afternoon they asked for it, and a roadmap with the next markets drawn. They're paying for what the

company is, plus what the machine can do, plus a plan somebody already made. That's the platform premium, at full power.

And Dave carries part of the price, the way he taught his sellers to. Not because he has to; because he knows exactly what that company will collect next year, and he'd rather earn what the bank would have earned than hand it to the bank. He'll collect payments for years on money that was never going to be his under an all-cash sale. The monthly report lands on the fifteenth. He built the report.

Then the part that matters. He stands up in front of his crew, the six who came with the first handoff and the people who came with the next two, and the new owner stands next to him, and he says: this is who's going to take care of you now, and I picked them. The name stays on the door. Every seller who ever handed Dave their company gets a phone call that week, from Dave, to say the people they trusted him with are in good hands. That is the Hall of Fame moment from Chapter 1, from the other chair. He knows what to say because he's heard it said to him three times.

That's the hidden payoff of the roll-up, and it's the whole book in one motion. It doesn't just make you a better buyer. It makes you a better seller when your turn comes, because you've been the person across the table, and you know what the handoff is worth.

Three legacies

Count what Dave leaves, because it's what you'll leave.

The legacy	What it is	Who it's for
The company	A platform with systems, people and numbers that don't depend on any one person, worth more every year it runs	His family, and the family after that
The ownership	The crew that built it holding a piece of it, and a path to more	The people who made the revenue
The next buyer	A new owner who learned from him how to take a handoff and will do it the same way, on purpose	Every seller in his industry who hasn't called yet

The third one is the one nobody counts, and it's the one that lasts longest. Every buyer who does this right trains the next one.

Generational

I'll close with the oldest reason of all.

The Bible says: "A good man leaves an inheritance to his children's children, but the sinner's wealth is laid up for the righteous." (Proverbs 13:22, ESV)

That's the assignment. Not quick. Once, and for generations. Rockefeller's family secured generations. So did Carnegie's giving, in a different way. And Warren Buffett is the living proof that buy-and-hold works at any scale. Chapter 18 told his story straight: he doesn't buy companies to flip them. He buys good businesses run by good people, and he holds them. He doesn't parachute in his own managers. He doesn't strip them for parts. He leaves the people alone and lets them run what they built. That's not a roll-up. That's a legacy machine, and it's been compounding for sixty years.

Now bring it down to Main Street. You're not buying railroads. You're buying the print shop, the HVAC company, the learning center. But the principle is identical: buy it, add it to the family, take care of the people,

and don't sell what you don't have to. The goal was never the exit. The goal is what you built and who you built it for.

Most entrepreneurs, and especially those of us who take that verse seriously, are meant to build something that takes care of our children's children, and a business that's been built into a platform, with systems, people and numbers that don't depend on any one of us, is exactly that kind of thing. It can be handed down. It can be sold well. It can be given, in part, to the people who built it. It keeps creating value long after the founder is gone, which is the definition of a legacy and the opposite of a business that dies with its owner.

That's what a family of companies is: something built to outlast the man who built it.

And here's the seller's half of it, because this book is for both of you. When you sell into a roll-up done right, your legacy doesn't end at closing. It gets carried. Your name stays on the door, your people stay, your customers are served, and the buyer has promised, if you asked him, to hand it on someday to somebody as good or better, the same way. That's the handoff, and it's the whole book in one motion. That's how a legacy lasts longer than either of you.

Where to start

Every chapter in this book ended with something to write down. Here's the last one, and it comes with the last tool.

Write down what you want this to be worth to your family in ten years, in dollars and in something that isn't dollars. For the dollars, don't guess. The Buy, Reinvest, Repeat calculator takes your revenue today, your earnings margin, how big a company you'll buy each year as a share of your size, what you'll pay and what you'll put down, and your Playbook score, and shows you ten years of the play on your own company: revenue, earnings, and what the whole thing is worth, year by year, with the size rule checked every year. Chapter 1 asked you to run it before you knew what the numbers meant. Run it again now that you do. The

number at the bottom of year ten is the dollar half of your legacy, and every chapter between here and there told you how to move it.

> **From the book to the tools · Buy, Reinvest, Repeat**
>
> Ten years of the play with your own numbers, and the size rule checked every year.
>
> growthroughacquisitions.com/tools/ten-year

Then write down the first company you're going to talk to, and the week you'll do it. Write down the first system you'll put on paper, and the one person you'll trust with more. Then go do the first one. Not all of it. The first one. Someone is going to consolidate your industry. Someone is going to be the safe place for the owners in your town to sell. Someone is going to build the platform that keeps those businesses alive and hands them on. It might as well be you.

A million business owners need to read this book. Not because I wrote it. Because every one of them is sitting on something worth saving, and every one of them deserves a buyer who will take the handoff and run with it. The owners are leaving whether we're ready or not. The only question is whether there's someone on the same side of the table when they do.

We are not competing. We are working together. Buyer wins, seller wins, employees win, customers win, and five years from now everybody at the table says it was the deal of their life. That's the whole book.

My dad asked me a question at our kitchen table a long time ago, and it is still the question: "Brian, if you were in trouble and needed help, wouldn't you want someone to help you?" A million owners are about to need help. Be the one who shows up. Let's go.



Building your legacy.

APPENDIX

From the Book to the Tools

Every calculator and template this book points to lives at one address, built on the same ranges as the deals in it. They are estimates for education and planning, not appraisals and not advice.

Tool	What it does	Where
The SDE Worksheet	Start from the tax return, add back what a new owner won't have, take out what it costs to replace the owner.	growthroughacquisitions.com/tools/sde-worksheet
The Sizing Ladder Valuation	Put in revenue and earnings, and a Playbook score if you have one, and see the band, the range and the number.	growthroughacquisitions.com/tools/valuation

The Day-One Arbitrage	What the target's earnings are worth inside your company the day you close.	growthroughacquisitions.com/tools/arbitrage
The Shared Success Plan Structurer	Build one plan, run the buyer's test, see both chairs and the year-by-year, and get the thirty-second version.	growthroughacquisitions.com/tools/ssp-structurer
Buy, Reinvest, Repeat	Ten years of the play with your own numbers, and the size rule checked every year.	growthroughacquisitions.com/tools/ten-year

The Business Valuation Playbook	All twenty-one drivers, one to six each, and the three with the most room.	growthroughacquisitions.com/tools/playbook-scorecard
The Seller Questionnaire	The seven questions, to answer for yourself or to send to an owner you're talking with.	growthroughacquisitions.com/tools/seller-questionnaire
The Term Sheet Email	The casual term sheet from the book, ready to fill in and send.	growthroughacquisitions.com/tools/term-sheet
The Information Request	The full list, with the four things to ask for first.	growthroughacquisitions.com/tools/information-request

The Thirty-Second Version	Say your deal in thirty seconds, and the test for any advisor who says no.	growthroughacquisitions.com/tools/thirty-seconds
The First Ninety Days	The checklist from before closing to day ninety, to print or download.	growthroughacquisitions.com/tools/ninety-days
The Scorecard	The two tables from Chapter 10 as a sheet to print and fill in: the seller rates the buyer, the buyer rates the seller.	growthroughacquisitions.com/tools/scorecard

Glossary

The terms this book coins or leans on, each the way the text uses it, with the chapter that explains it.

Roll-up
Buying several small companies in the same line of work and running them as one larger company, so the whole is worth more than the parts. The four types are horizontal, vertical, conglomerate and ecosystem. Chapters 1 and 2

Main Street
The owner-run businesses that make up most of the economy: the shops, contractors, practices and service companies with a family behind the phone. Most of them never sell. Opening and Chapter 5

Uncle Dave
The buyer sellers call. The owner down the road who already runs a business like yours, can take care of your customers as well as you did, and will still be there in five years. Dave is a real owner, told as one character. Chapter 1 and Chapter 4

The Silver Tsunami
The generation of owners now reaching retirement age with no family successor, which puts more businesses on the market than there are buyers ready to take them. Chapter 5

SDE (seller's discretionary earnings)
The owner's benefit from an owner-run company: the profit on the tax return, plus the owner's salary, plus everything the owner runs through the business that a new owner would not have to. The earnings number for smaller companies. Chapters 3 and 24

EBITDA

Earnings before interest, taxes, depreciation and amortization. The earnings number for larger companies with a management team in place, where the owner's pay is already a real salary. Chapter 3

Multiple
The number a company's earnings are multiplied by to reach a price. Roughly how many years it takes a buyer to get the money back. It rises with size, with a management team, and with the Playbook score. Chapter 3

The Sizing Ladder
The bands of company size, by revenue and earnings, with the range of multiples buyers pay at each rung. The same earnings are worth more on a higher rung, which is the arithmetic behind the whole book. Chapter 3

Arbitrage (day-one arbitrage)
The gain that appears the day you close, because a small company's earnings are priced at a small company's multiple and become part of a larger company priced at a larger one. Chapter 3

The size rule
Buy a company at twenty to thirty percent of your own size, so no single deal can sink the company that is doing the buying. Chapters 3 and 16

Platform company
The company you build the acquisitions into: a leadership team, central services, a repeatable handoff, and a roadmap of the next markets. A buyer pays for what it is, what the machine can do, and the roadmap already drawn. Chapter 27

The platform premium
The extra a strategic buyer pays for a platform company over what the same revenue would fetch as a collection of small businesses. Chapters 3 and 27

Tuck-in
A small acquisition folded into an existing location or unit, rather than run as a unit of its own. Chapters 3 and 18

Buy, Reinvest, Repeat

The ten-year play: buy a company within the size rule, pay the seller from its earnings, reinvest what is left, and buy the next one. The calculator of the same name runs it with your numbers. Chapter 16

The Business Valuation Playbook
Twenty-one drivers of a company's value in five pillars, each scored one to six. The score tells you where a company sits inside its band on the Sizing Ladder and which three drivers have the most room. Chapter 27

The Shared Success Plan
The way the deals in this book are paid for: a down payment, then a share of the revenue the buyer collects, paid monthly for an agreed term, so the seller is paid out of the company's own success. It has a money side and a people side. Chapter 12

Down payment
The cash paid at closing under a Shared Success Plan. Enough that the seller knows the buyer is serious, small enough that the business is not starved on day one. Chapter 12

Share of revenue
The seller's monthly payment under the plan: an agreed percentage of the revenue the buyer actually collects, paid on the fifteenth, thirty days after the month closes, so the money has come in before it goes out. Chapter 12

Term
How long the share of revenue is paid: a number of months, or until an agreed total is reached, whichever the plan says. Chapter 12

The buyer's test
The check that the company stands on its own: its earnings, after the buyer's own costs, cover the seller's payment with room to spare, so the payment comes out of profit and never out of operating capital. Chapter 12

The agreed pause
A clause written into the plan before closing that suspends payments when the world stops, as it did for hurricanes and for the pandemic, and restarts them when business returns. Chapters 12 and 14

The thirty-second version
The test of a well-built deal: the seller can explain it in thirty seconds, and any intelligent advisor who hears it says that it is smart. Chapter 11

The four wins
Buyer, seller, employees and customers, each better off after the deal than before. Four legs, one table, same side. Chapter 8

Same side of the table
Buyer and seller working one problem together instead of negotiating against each other, because under the plan the seller is paid from the buyer's success. Chapters 8 and 10

Level 5
Jim Collins's term, from Good to Great, for a leader with personal humility and professional will, judged by how the company does after he is gone. This book applies it to the seller who is leaving and the buyer who is arriving. Chapters 9 and 10

The Legacy Seller
The top of the seller's ladder: humble about himself, fierce about the business, picks the buyer by competence and character before price, stays to hand over the trust, then steps away. Chapter 10

The Steward
The top of the buyer's ladder: pays a fair price, honors what was built, keeps the people, grows the business, and pays the seller every dollar owed. Chapter 10

The scorecard
The two tables in Chapter 10: seven lines on which the seller rates the buyer and six on which the buyer rates the seller, each line defined so that a five means the same thing to everyone. The buyer's score follows him from deal to deal; the seller's follows the business. Chapter 10

The eight commitments
The people side of the Shared Success Plan, made by both sides at the same table: transparency, looking out for one another, keeping promises,

protecting customers and employees, good faith, helping each other succeed, thinking long term, and honoring the responsibilities of succession. Chapter 9

The standby successor
An owner, lined up quietly and in advance, with the right and the plan to step in and buy a business if its owner dies or is disabled. Set in writing with a valuation method and usually funded with life insurance. Chapter 10

The Character Play
Building the reputation that makes you the buyer sellers call: the name on the door kept where it belongs, the people kept, the handoff honored, so the next owner calls you first. Chapter 20

Hall of Fame moment
The handoff done in front of the seller's people, with the buyer standing up to say what they built matters and will be carried further. Honoring the owner is part of the deal, not a courtesy after it. Chapter 4

Belly to belly
Two owners doing a deal face to face, with a piece of paper that says who does what and as much or as little formality as they choose to add. Chapter 12

Open book
Showing the real numbers from the first conversation, both ways. The seller decides in the first hour whether to let the buyer in, and decides it on how the buyer listens. Chapters 9 and 22

Handshake arrangements
The unwritten deals every small company runs on: the customer who pays late and always pays, the employee who leaves early on Fridays, the vendor who holds stock. The buyer's job is to find them and write them down before closing. Chapters 9 and 23

Re-trade
Changing the price or terms after the letter of intent, when the seller has stopped talking to anyone else. A buyer who does it can never score a five.

Letter of intent
The short document, after the term sheet, that says the two sides intend to close on the terms described. Treated in this book as binding in honor if not in law. Chapter 23

The term sheet email
The first written offer, sent as a casual email on purpose, so either side can adjust before anything is formal. Chapter 23

The information request
The list of documents a buyer asks for once the mutual non-disclosure agreement is signed, with the four items to ask for first. Chapter 23

The seller questionnaire
Seven questions, separate from the financials, whose answers become the terms of the deal, because the structure follows the person. Chapter 22

The first ninety days
The transition after closing, run from the customer backwards: take care of the customers, invest in the team, look for improvements and be patient about them. Checked at thirty, sixty and ninety days. Chapter 26

The name on the door
The seller's name and reputation, kept where the customers can see it for as long as it carries trust. Taking it down on day one is the fastest way to lose the accounts. Chapters 2 and 20

About the Author

Brian Toelle is an M&A advisor and coach. He has spent his career as an intermediary, helping Main Street owners buy and sell companies, and he teaches owners how to grow by acquisition and how to sell to the right buyer on terms that work for both sides.

Grow Through Acquisitions is also a video course and a coaching program. The calculators and templates from this book, the course and the program are at growthroughacquisitions.com.

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