KANBRICK

EXIT PLANNING WITH PURPOSE:

ALIGNING LEGACY, VISION, & VALUE

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YOU ONLY GET TO SELL YOUR BUSINESS ONCE.

*Deciding whether to sell a business you—or your family—have spent years, even decades, building is one of the most emotional and complex decisions you'll ever face. It's not just about numbers or deal terms; i**t's about identity, legacy, and the future of something you've poured your heart into.***

My advice to business owners may seem counterintuitive: **hold on to your business as long as you can**. *But if the time ever comes to sell or bring in a partner, being prepared means you can do it on your own terms—**thoughtfully, intentionally, and in a way that honors everything you've built.***

Over the years, I've had the privilege of sitting with many founders and business owners at this exact crossroads. No matter how successful they are, they all wrestle with the same questions:

- ***How do I step back from something that has defined so much of my life?***
- ***How do I ensure that what I've built—my values, my people, my culture—continues to thrive?***

If there's one thing I've learned, it's that there's no single "right" answer—only the right answer for you. And my best advice? Start thinking about it sooner than you think you need to.

Even if a sale is years away—or may never happen at all—giving yourself the space to reflect on what you truly want, both for your business and your life, can make all the difference.

*I hope this series helps you find **clarity, confidence, and peace of mind** as you navigate this journey—**whatever path you choose.***

Tracy Britt Cool

EXIT PLANNING WITH PURPOSE

Selling a business is one of the most significant decisions a business owner can make, yet too often, it leaves people with a sense of seller's remorse. Maybe they felt rushed, didn't fully align the decision with their personal or professional goals, or partnered with a buyer who promised more than they delivered. But it doesn't have to be this way.

Our team at Kanbrick has experienced firsthand the highs and lows of building something meaningful and the challenges of deciding what's next. It began with our roots in family businesses—Brian's parents own a cabinetmaker, while Tracy's family manages a multi-generational farm. Later, we saw it as investors during our time at Berkshire Hathaway and in traditional private equity. Next, we felt it as operators, working hands-on to build and grow businesses. And most recently, we've had the privilege of walking alongside and supporting the **3,000+ founders and CEOs** in our Kanbrick Community in their own journeys.

Today, we often advise business owners to **keep their business as long as they can** - counsel that runs counter to the prevailing wisdom of Wall Street or others focused on flipping businesses. After all, selling does not make you richer. But it will shift the form of your wealth and enable you to accomplish other goals, like diversifying your family's portfolio, finding a partner for growth, or managing succession.

Even if selling isn't on your immediate horizon, starting to think about the process early can make all the difference when opportunity—or necessity—comes knocking. That's why we're writing this **three-part series: to break down the process, provide a clear framework, and share insights from our experience.** We hope it brings you the clarity and confidence you need to consider a partner with purpose and intention.

Part I: Considering an Exit

Defining your goals, exploring partner and structure options, and early preparations to set yourself up for success

Part II: Preparing the Business

Understanding what buyers seek and positioning your business to maximize value

PARTS II AND III COMING LATER THIS YEAR

Part III: Navigating the Transaction

Kicking off a transaction, due diligence, navigating key deal considerations, and planning for life after close

PART I: CONSIDERING AN EXIT

How to reverse engineer a successful transition - beginning with the end in mind

At some point, every business owner wonders: Should I keep going on my own, or is it time to explore other options? Maybe you're feeling stretched thin, thinking about succession, or just wondering what life might look like with a little more flexibility. Or maybe you still love running the business but want to make sure it's set up for long-term success—whether you stay at the helm or not.

The truth is, you don't have to be ready to sell today to start thinking about your options. The best transitions happen when owners take the time—even years in advance—to explore what they really want.

Even if you're unsure whether you'll ever sell, early planning can help you weigh your choices, align options with your personal and financial goals, and ensure you're prepared for whatever the future brings.

This section is here to help you sort through the big questions, explore different paths, and take small, practical steps now that will give you more control down the road. Whether you ultimately sell, bring on a partner, or decide to stay the course, thinking ahead will set you up to make a decision that truly works for you. Let's get started.

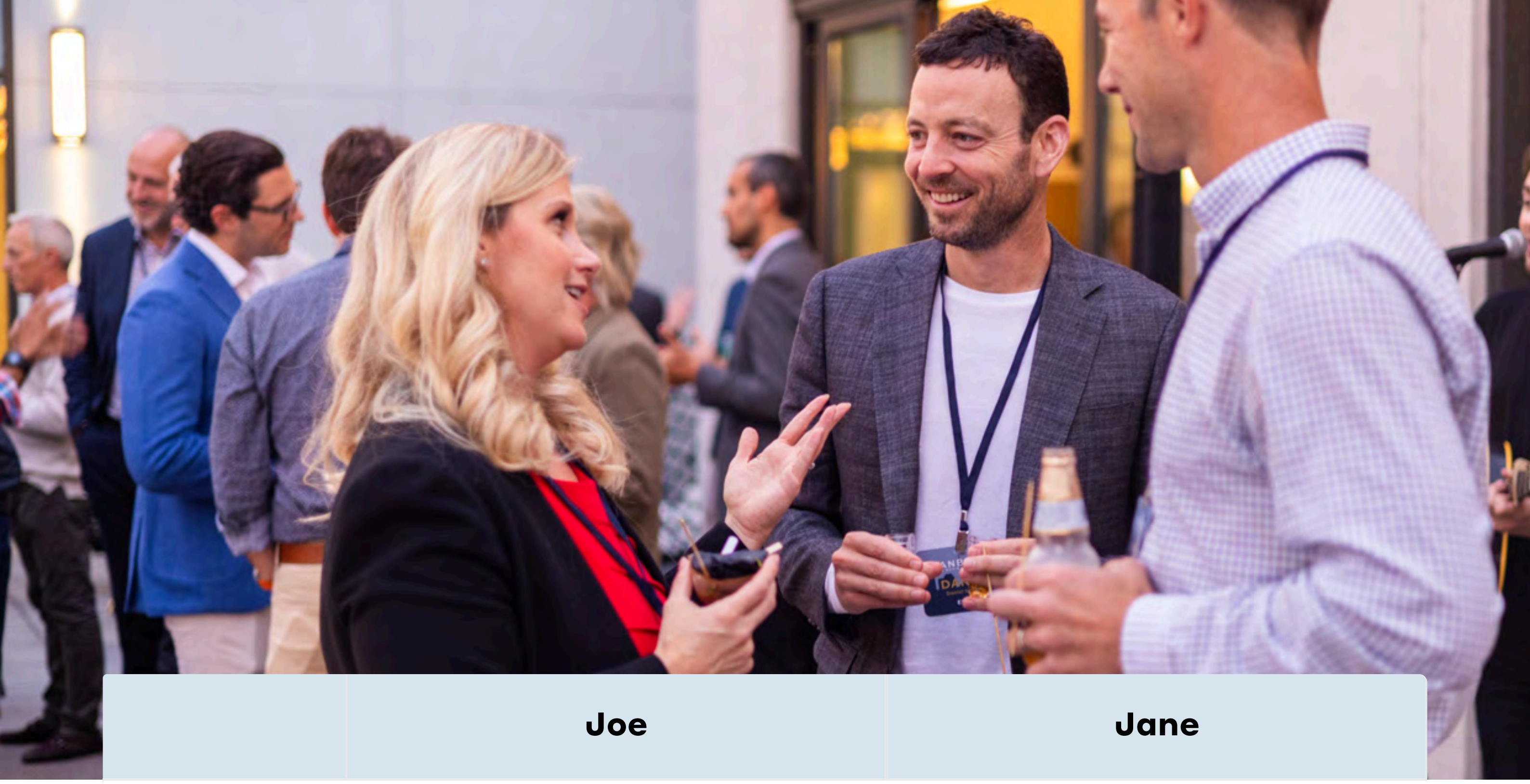
Chapter 1:
The Decision to Sell

Stepping back to consider your goals

No two business transactions are exactly alike.
Consider **Joe & Jane.**

Joe started his manufacturing business 30 years ago with little more than a good idea and a lot of elbow grease. Now, at 63, he's ready to take a significant step back and enjoy the fruits of his labor. He envisions spending more time on the things he loves—fishing trips, making memories with his grandkids, and finally building that long-dreamed-of cabin by the lake. While Joe is ready to hand over the reins, the business remains an important part of his legacy, and he still believes in its future potential. He'd like to sell 80% of the company, providing him with the financial security to embrace retirement, while retaining a small ownership stake to stay connected to the business and share in its continued success. Without an obvious successor, Joe's focus is on finding the right partner to carry the business forward with the same care and dedication he's poured into it over the years.

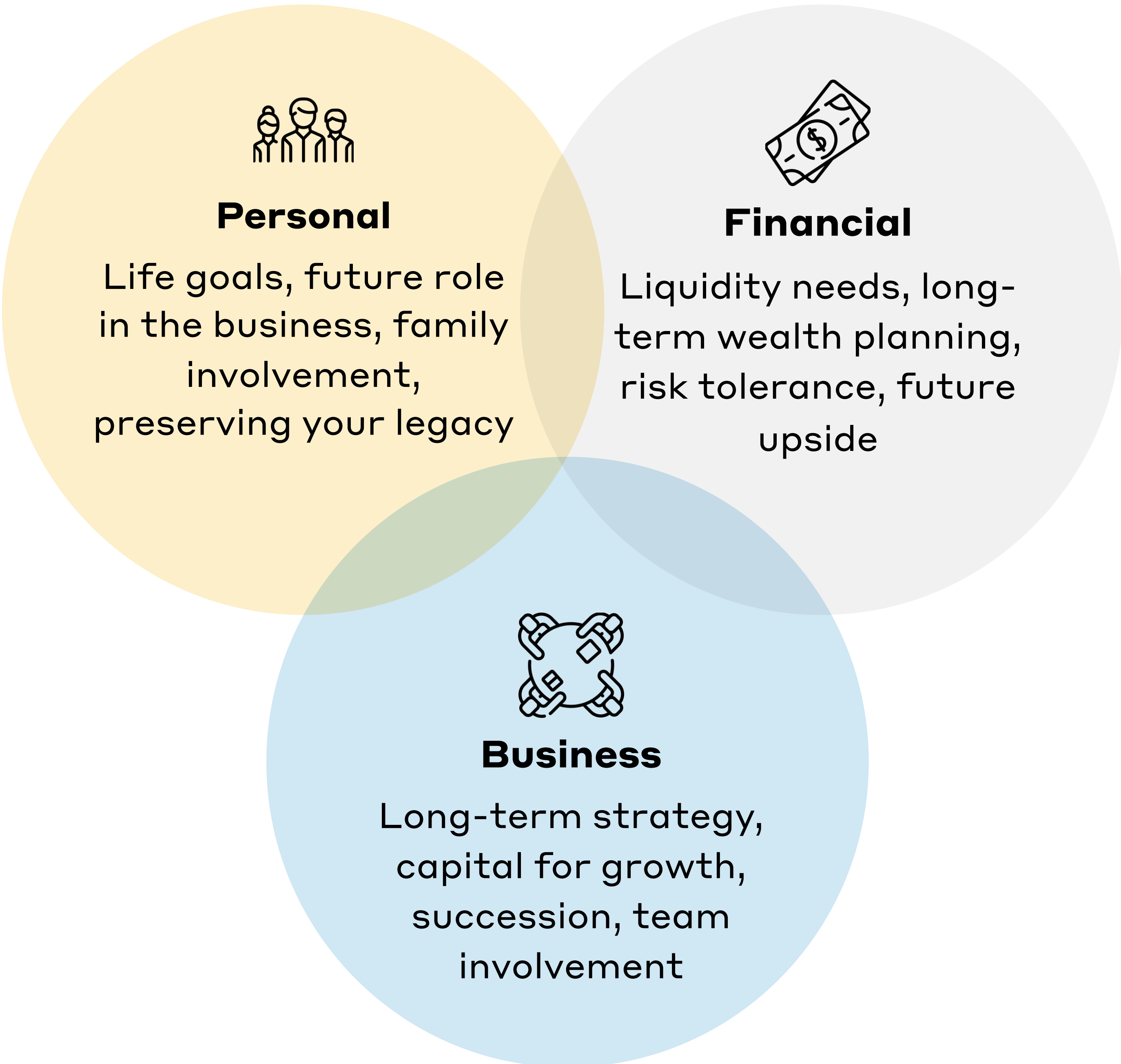
Jane, on the other hand, is in a different stage of her journey. She built her e-commerce business from the ground up and still has big plans for its future. But with personal guarantees tied to loans and much of her wealth tied up in the company, she's feeling the pressure. Jane wants to diversify her assets and reduce financial risk while staying actively involved in running the business and helping it grow faster. She's not looking to hand over the keys—she's looking for a partner who can provide resources and expertise to help her take the business to the next level. For Jane, selling part of the company is about growth, not stepping away.



	Joe	Jane
Primary Goal	Take a step back from the business while retaining a small ownership stake for legacy and potential future value	Diversify wealth while staying involved in the business
Involvement Post-Sale	Minimal day-to-day involvement but wants to maintain a connection to the business	Wants to remain actively involved in running the business
Financial Priority	Sell 80% of the business for financial security and retirement	Reduce personal financial risk and access growth capital
Vision for the Business	Find a capable partner to carry the business forward and protect its legacy	Partner with someone to accelerate growth and build value
Timing	Ready to transition now but willing to maintain a small ownership role	Focused on long-term growth and value creation. Willing to wait for the right partner
Risk Tolerance	Low; prefers limited ongoing involvement and financial risk	Moderate; willing to share future risks and rewards with a partner

In our experience working with families and founders in the Kanbrick Community, we've noticed that many dive straight into the nitty-gritty of preparing for a partner when it's time to sell their business. While that enthusiasm is understandable, skipping over the critical step of defining your goals **can lead to challenges later on.**

These goals can be very different for each owner - finding the sweet spot for a transaction requires understanding and considering all three dimensions. Below are a few questions we find are helpful for business owners to consider upfront as they begin this process:



Personal

This is often **the most personal and challenging part of the process**—and it's easy to overlook. We've seen owners pour their entire lives into their business, only to later wish they'd made more time for other priorities. Others exit without a clear plan for what's next and find themselves feeling unfulfilled. Taking the time to reflect on these questions can make all the difference in creating a transition you'll feel good about.

Life Goals:

- Where am I in my personal and professional journey?
- Am I ready for a new chapter—whether that's retirement, exploring other passions, or simply having more balance?
- In 3-5 years, what would a fulfilling day or week look like for me?

Energy and Commitment:

- Do I still have the passion and drive to lead this business every day, or am I feeling stretched too thin or burned out?

Legacy:

- What do I want to leave behind?
- How important is it to me that the business's culture, values, and impact are preserved after I step back?

Family Considerations:

- How does my family feel about my role in the business?
- Are my spouse and/or children hoping for more time with me, or do they see value in me staying involved?
- If family members are part of the business, what do they want for its future?
- Would stepping back or selling create better opportunities for them – or for me?

Financial

Selling your business will reshape your financial future, so it's critical to think beyond the immediate sale. The right structure should support both your long-term security and the life you want to lead post-transaction. Clarity on your financial needs, risk tolerance, and future upside can help you make informed decisions—and avoid second-guessing them later. Taking the time to **map out your financial priorities now** will ensure the deal you pursue truly aligns with your goals.

Wealth Planning:

- How much do I really need to fund retirement, live comfortably, and achieve my other goals?
- How does selling now fit into my overall financial picture?
- Am I prepared for the tax implications, and do I know how they'll affect my future security?

Future Upside:

- Am I okay with the possibility that the business might grow even more valuable after I sell?
- Or would I prefer to stay invested in its future success?

Risk Tolerance:

- Am I comfortable with the risks of holding onto the business longer, or would selling now help reduce my financial stress and provide peace of mind?

Family Considerations:

- Are family members involved in the business?
- If so, what do they want?
- Would taking a step back or selling create better opportunities for them—or for me?

Business

Your business is the result of years of dedication and care, and its future is an important part of your decision to sell. A successful transition requires reflecting on **whether the business is ready for new leadership**, how a transition might impact its people and operations, and how to minimize potential disruptions. Balancing the needs of the business with your own goals can help ensure the best outcome for everyone involved.

Strategic Goals:

- Does selling align with the company's long-term vision?
- Could new ownership or additional capital for growth help the business reach its potential?

Succession Planning:

- Is there a clear plan for leadership after I step back?
- How can I ensure the business is ready to thrive without me at the helm?
- Even outside of my formal role, where am I critical to a process or a relationship?

Team and Culture:

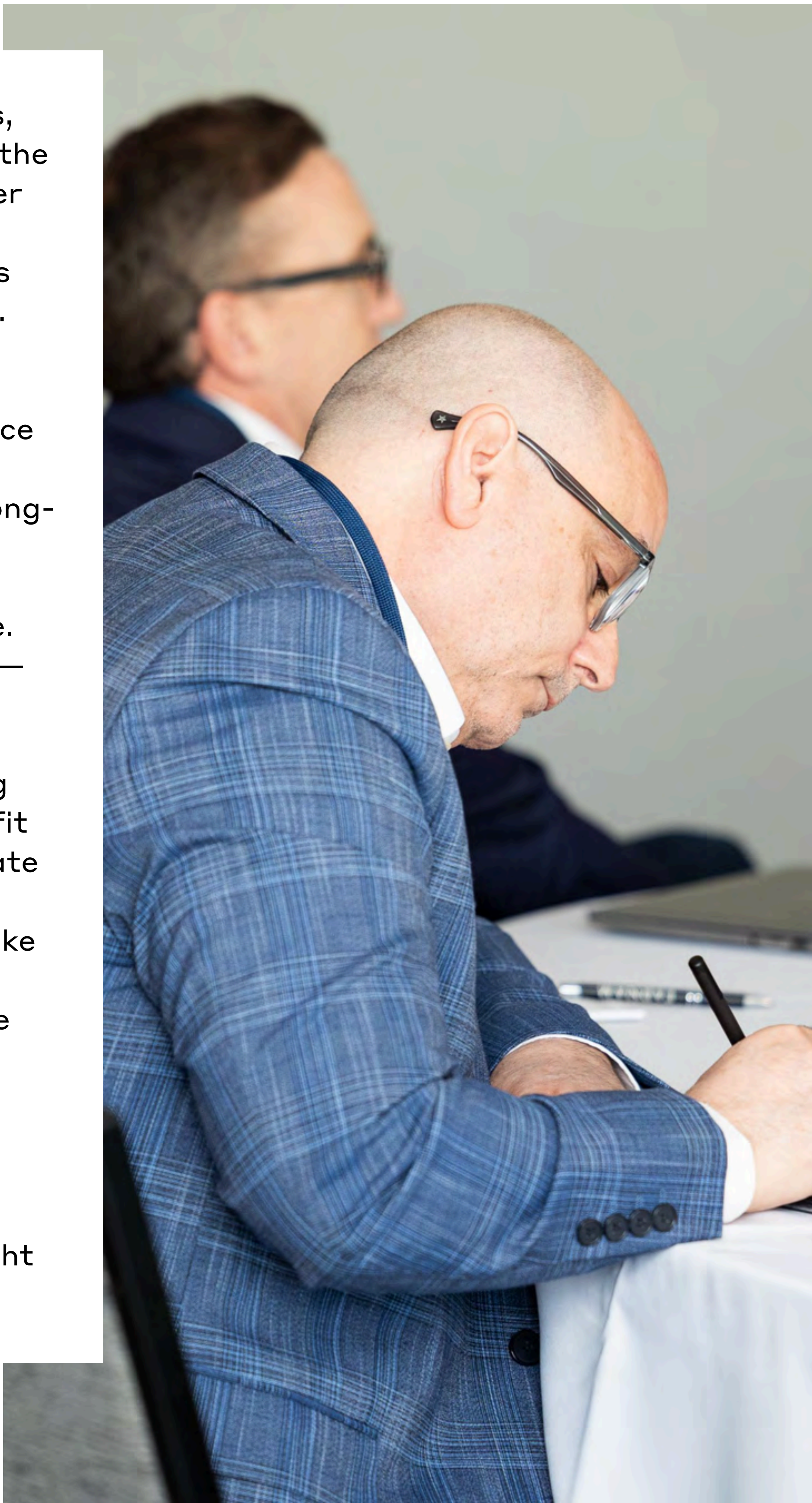
- How would selling affect my employees and the company culture?
- What steps can I take to support my team and maintain morale during the transition?

Disruption Minimization:

- Could a transaction disrupt key operations or relationships?
- What can I do to minimize these impacts and ensure a smooth transition for customers, employees, and stakeholders?

Chapter 2: ***Exploring Your Options***

Understanding the universe of structures and partners



Once you've clarified your goals, the next step is understanding the different structures and partner options available to help you achieve them. Selling a business isn't a one-size-fits-all process. The way a transaction is structured and the partner you choose can significantly influence your financial outcomes, your ongoing involvement, and the long-term future of your business.

Take Joe and Jane, for example. Joe is ready for a big step back—he wants to sell most of his business, cash out, and enjoy retirement with limited ongoing involvement. For Joe, the best fit might be a sale to either a private equity buyer or a strategic acquirer who can step in and take the reins entirely. Jane, on the other hand, wants to stay in the driver's seat while taking her business to the next level. A majority or minority sale with a partner who can bring both growth capital and operational expertise would likely be the right fit for her.

This type of partner could help Jane accelerate growth while allowing her to remain actively involved in the company's success.

The key is finding the right fit for your unique goals. In this next section, we'll walk through common transaction types and partner options to help you make an informed decision.

Types of Transactions

What are the most common options for transaction structures?

Transaction Type	What It Is	Why It Might Be the Right Move	Watch-Outs
100% sale	This is the full-on, sell-everything option. You hand over the reins and typically step away completely.	- You're ready to retire or move on to something new. - You want to maximize liquidity and fully cash out. -There's no clear successor to take over.	- You'll have no control or involvement post-sale. - Buyers may make changes that impact employees, customers, culture.
Majority sale	You sell a controlling stake but keep a minority share. You might stay involved in some way or take a step back.	- You want significant liquidity but still want some ownership. - You're open to a partner who can help grow the business. - You believe in the long-term upside and want to share in future success.	- You'll have less decision- making power after the sale. - Choosing the right partner is critical to avoid misalignment on strategy. - Future exit options may be influenced by the majority owner.
Minority sale	You sell less than 50% of the business, keeping control and decision- making authority.	- You need capital for growth or personal diversification but want to stay in control. - You want a financial partner but aren't ready to step away.	- Investors may expect a future liquidity event (eventual full sale). - Can add governance complexity with new minority shareholders. - More limited universe of potential partners.
Debt recap	Instead of selling equity, you take on debt to get liquidity, using the business's cash flow as collateral.	- You want to stay 100% in control. - You need liquidity for personal reasons but don't want to sell ownership. - Your business has strong cash flow to support the debt.	- Increases financial risk and debt burden. - Requires a stable, profitable business to service the loan.
ESOP (Employee Stock Ownership Plan)	You sell the business to a trust for your employees, turning it into an employee-owned company.	- You want to reward employees and preserve company culture. - You're not ready to fully step away but need some liquidity.	- Structuring an ESOP can be complex and expensive. - Typically requires seller financing and may not maximize your payout.

Types of Partners

What does the universe of potential partners look like?

Once you've clarified your goals and started considering transaction structures, the next step is identifying the type of partner that best aligns with your vision. Different types of partners bring unique strengths and trade-offs, so it's important to understand what they offer and where their priorities lie. Here's an overview of the main partner types:

Strategic Acquirer	Typically a competitor or an industry player ("strategic acquirer" looking to expand market share, acquire talent, or gain operational synergies).
Traditional Private Equity	Financial investors focused on driving growth and value creation through operational improvements, financial engineering, and resale along a 2-5 year horizon.
Family Office	Investment entities managing the wealth of a single family, often taking a long-term approach to capital preservation and growth.
Long-Term Investment Partnership (Kanbrick-Like Option)	Partners that combine deep operational expertise with a long-term, patient approach to value creation, working closely with businesses to fuel sustainable growth.
Independent Sponsor	Investment vehicles focused on acquiring a single business, typically led by an entrepreneurial investor or operator seeking to own and operate a company.

Below is a table that compares these partner types across several dimensions to help you determine which one might best fit your goals.

Partner Type	Best Fit For	Advantages	Watch-Outs
Strategic Acquirer	Owners seeking a full exit with maximum valuation and minimal ongoing involvement	- Often highest valuation due to synergy (i.e., cost savings) potential - Opportunity for a clean break	- Loss of cultural identity and independence - Potential rebranding, layoffs, and management changes
Traditional Private Equity	Owners seeking partial or full exit while retaining growth opportunities	- Flexible deal structures with potential for future upside - Access to growth capital and strategic guidance	- Heavy use of debt increases risk - Focus on shorter-term financial returns - business will be sold again in ~2-5 years - Limited operational expertise
Family Office	Owners seeking long-term capital with legacy preservation and minimal disruption	- Long-term, patient capital with fewer return pressures - Alignment with legacy preservation and continuity	- Often lower valuations compared to strategic buyers or PE firms - Typically lack operational expertise and may be subject to changing family dynamics
Long-Term Investment Partnership (Kanbrick-like Option)	- Owners focused on legacy preservation, sustainable growth, and a partnership approach - Long term value creation	- Patient, long-term capital - Deep operational expertise, paired with investments in people and systems - Preserve culture and management team	- Slower liquidity timeline - Highly collaborative, hands-on approach
Single-Deal / Search Fund	Owners looking for a hands-on, entrepreneurial partner to transition leadership	- Highly motivated partner with personal skin in the game - Focused attention on a single business	- May lack experience with larger or complex businesses - Often have limited capital or need to raise capital as part of investment

Choosing the right partner is one of the most critical decisions you'll make during your business transition journey. Each partner type offers unique advantages and potential challenges, and the best fit depends on your goals, priorities, and vision for the future. Whether you're looking for maximum liquidity, a hands-on growth partner, or a long-term steward of your business, understanding these differences will help you make an informed decision.

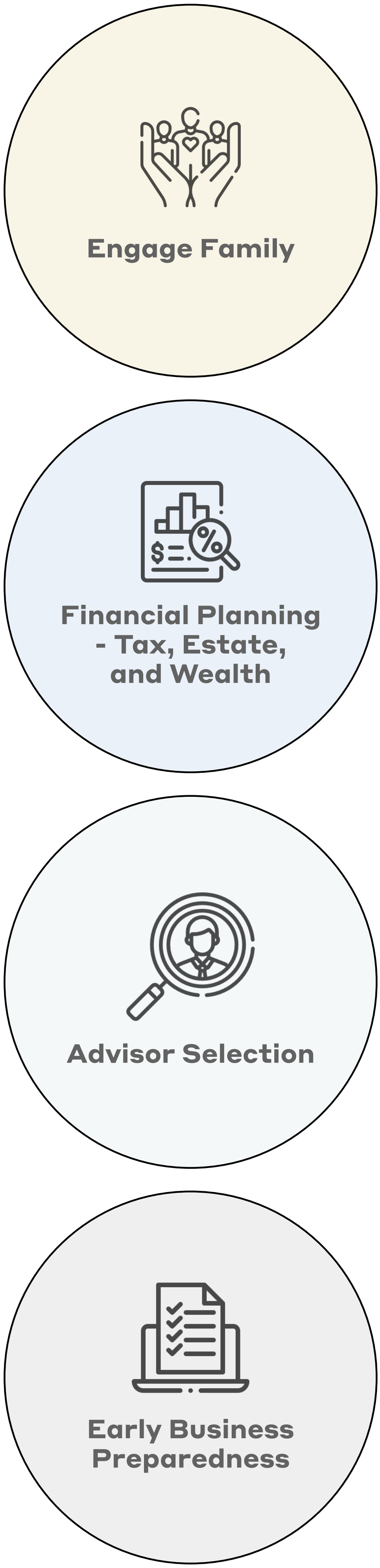
As you evaluate your options, keep your personal, financial, and business objectives front and center to ensure the partnership aligns with your unique needs and sets your company up for success in its next chapter.

Chapter 3: ***Early Steps to Prepare for Success***

Concrete actions you can begin taking now.

With your goals clarified and the various partnership options explored, it's time to shift focus to the tactical steps that will set the stage for a successful exit. This early preparation is crucial—being proactive now can help you achieve your desired outcomes while reducing the risk of surprises down the road. From determining how to manage your wealth post-sale to assembling the right team of advisors, thoughtful planning at this stage lays a solid foundation for a smooth and successful transaction.

In this step, we'll walk through the essential elements every business owner should address before entering the deal process:



Engage Family

Involving your family early is critical to avoid misalignment and potential complications down the road. Open and honest communication ensures everyone is on the same page about goals, interests, and possible challenges that may arise.

- [ ] **Foster Dialogue:** Create a space for transparent discussions about future aspirations, concerns, and expectations.
- [ ] **Educate:** Help family members understand the different exit options and what they might mean for the business and your shared future.
- [ ] **Establish Governance:** For larger families or businesses with multiple family members, consider creating a family governance council to support decision-making and navigate changes as the process unfolds.

Financial Planning - Tax, Estate & Wealth Management

Proactive planning across financial, tax, and estate dimensions ensures your wealth is preserved, managed, and aligned with your long-term goals. Grouping these strategies allows for a more focused and comprehensive approach.

- [ ] **Align with Values:** Work with advisors to create a financial plan that reflects your priorities, such as philanthropy, family support, or retirement plans.
- [ ] **Understand and Minimize Taxes:** Gain clarity on tax obligations tied to your sale and explore strategies like charitable giving or trusts to reduce your tax burden effectively.
- [ ] **Plan for Distribution:** Develop a plan to ensure your wealth is distributed according to your wishes, supporting your family and philanthropic goals.
- [ ] **Preserve and Grow Wealth:** Use tools like trusts or gifting strategies to transfer assets at a discounted value and exclude future growth from taxable estates.
- [ ] **Plan Holistically:** Address both pre- and post-exit scenarios, ensuring your wealth supports your lifestyle, family, and long-term financial goals.

Advisor Selection

A strong team of trusted advisors will guide you through the process, helping to maximize your outcomes while minimizing risks. The right team can make or break your deal, so choose carefully.

- [ ] **Build Your Team Early:** Identify key advisors ahead of time, including corporate M&A lawyers, estate planning specialists, tax advisors, financial planners, and family business advisors.
- [ ] **Look for Experience:** Prioritize advisors with a proven track record in transactions similar to yours, ensuring they have the expertise to navigate complexities.
- [ ] **Align Values and Goals:** Choose advisors who share your values and demonstrate long-term alignment with your personal and financial objectives.

Early Business Preparedness

Getting your business ready well in advance sets the stage for a smoother and more successful transaction, especially for initiatives that take time to implement.

- [ ] **Tidy Up the Foundation:** Organize and clean up your business's administrative foundation, including conducting audits, ensuring clean financial records, reviewing legal documentation, and resolving any outstanding legal issues.
- [ ] **Understand Your Value:** Conduct an initial business valuation to set realistic expectations for your exit value and identify opportunities to enhance the business's positioning and growth prospects.
- [ ] **Begin Planning for Succession:** Lay out an initial succession plan continuity and identify actions you can take now (key hires, development, mentorship) to be better prepared in the future in the event that you decide to eventually step away. We will cover this more fully in Part II.

These steps lay the groundwork for a successful exit. In **Part II of this series**, we'll delve deeper into what investors look for and how to position your business for long-term success.

By taking these early actions, you can set the foundation for a successful business transition that aligns with your goals and values. Engaging your family, planning for trust and tax implications, assembling the right team of advisors, and preparing your business in advance are all critical steps to avoid surprises and maximize outcomes.

While the process may feel overwhelming, proactive preparation ensures you're not just ready for the next steps but in the strongest possible position to achieve the results you're aiming for. A thoughtful, deliberate approach now pays dividends down the road.

MAXIMIZE YOUR OPTIONS. FIND THE PERFECT PARTNER.

You only get one shot at selling your business, so taking the time to plan thoughtfully from the start can make all the difference. The exit planning process can feel a lot like sprinting a marathon: by the time a potential partnership picks up speed, you'll want to have done your homework and be ready for every step along the way.

Unfortunately, too many business owners share stories of choosing the wrong partner, facing last-minute valuation surprises, or dealing with unnecessary stress. But here's some good news: you don't have to choose between getting a fair valuation, securing long-term value, or looking after your team. With the right preparation, you can achieve all three. To that end, we hope this piece has been helpful and look forward to sharing more in Parts II and III.

At Kanbrick, we've been in the trenches—building, running, and growing mid-size companies ourselves. Our experience drives our approach, and we bring the know-how, tools, and team to help your business get ready ahead of time.

Our goal is to help you find the right partner, simplify the process, and maximize your options—ideally years before you're ready to transact. If you're curious to learn more, let's have a quick, confidential chat. Even if now is not the right time, we welcome you to stay connected and join our Kanbrick Community where we share practical tools you can use to move your business forward.

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