When the Unexpected Opens a New Chapter in Ownership

An unexpected shareholder transition, a need for capital or a compelling acquisition can become an opportunity to strengthen the business—when the owners have a clear view of their choices.

By Joseph (JD) Durnford

The call to the attorney often begins with something that was not in the plan.

A key shareholder is ready to step back. Partners have different views about the next investment. A company needs additional liquidity. Or an investment banker calls with an acquisition the CEO has wanted for years—just after a major capital project has absorbed the resources available to pursue it.

The first reaction is understandably practical: What do we do now?

The more productive question is: What could this make possible?

A shareholder's departure may create room for the next generation of leadership. A capital need may prompt a better financing structure or introduce a valuable partner. An acquisition that initially appears beyond reach may become achievable through an arrangement the owners have not previously considered.

None of those outcomes is automatic. Each requires a clear understanding of the business, the owners' objectives and the economics of the alternatives.

This is where an independent ownership advisor can add a distinct perspective. Working alongside counsel, management and other specialists, the advisor helps turn an unexpected event into a considered ownership decision.

Begin With What Is Changing—and What Should Be Preserved

A special situation does not necessarily mean the business is in trouble. It means circumstances have changed enough that the existing ownership or capital arrangement deserves another look.

The starting point should be the owners' objectives, not a preferred transaction.

What does the business need to continue performing? What do individual owners need from their investment? Which relationships, capabilities and elements of control matter most? Where is there flexibility?

Those questions help distinguish the immediate requirement from the longer-term opportunity.

"My partner wants out" may mean the company needs to arrange a purchase. It may instead mean the partner needs less responsibility, partial liquidity or a different role.

"We need capital" may describe a temporary timing issue, a permanent funding requirement or an opportunity to bring in capabilities as well as money.

“We want to buy this business” may lead to an outright acquisition—or to a staged investment, partnership or other arrangement that better fits the company’s resources.

The value of experience is not simply knowing how to complete each type of transaction. It is knowing which alternatives deserve consideration before one becomes the assumed answer.

A Shareholder Transition Can Be a Business Renewal

The unexpected loss of a key shareholder’s participation can take many forms.

Illness may change someone’s capacity to contribute. Retirement may become a nearer-term priority. An owner may be ready for another challenge, uncomfortable with further investment or no longer aligned with the company’s direction. A partner dispute or loss of confidence may require a more fundamental conversation. Death can make the transition involuntary.

The reason matters because the solution should address what is actually changing.

Employment, management authority, ownership and capital commitments are related, but they are not interchangeable. A shareholder can stop working without selling. An effective executive can seek partial liquidity while remaining in the business. An owner can support the strategy without wanting to fund the next stage personally.

Separating those questions can reveal more room for agreement than the initial conversation suggests.

Counsel establishes the rights and obligations under the governing agreements. The commercial analysis then examines what the company and remaining owners can reasonably support.

A company redemption, a purchase by another shareholder, outside investment or a negotiated payment arrangement may each provide a path. The appropriate choice depends on funding capacity, tax consequences, governance and the objectives of the parties.

Price is only part of that discussion. Payment timing, credit support, future distributions and decision rights can determine whether an arrangement works for both the departing and continuing owners.

Handled thoughtfully, the transition can do more than resolve an individual owner’s needs. It can clarify leadership, align the remaining shareholders and establish an ownership structure better suited to the company’s next chapter.

Match the Capital Solution to the Business Requirement

A need for liquidity calls for precision, not an automatic search for the first available funding source.

The team should establish how much capital is required, when it is needed and what it will enable the business to accomplish.

A short-term cash forecast can help identify the immediate requirements. The analysis should also explain the underlying cause: collection timing, inventory growth, capital spending, operating underperformance or some combination.

That distinction shapes the financing.

A temporary working-capital requirement should be evaluated differently from a long-term investment. A recovery plan needs sufficient funding to support its execution, not merely enough cash to reach the next difficult decision.

The owner's position belongs in that analysis as well. Personal contributions, guarantees and collateral commitments should be considered deliberately. The question is not simply whether the owner is willing to support the business, but whether the proposed commitment has a defined purpose and a credible path to achieving it.

An independent ownership advisor can help compare financing alternatives in terms of cost, repayment capacity, control and future flexibility. Where significant distress is involved, the team may also need restructuring counsel and turnaround expertise.

The aim is to give the company an appropriate financial foundation—not just complete a financing.

The Right Opportunity May Arrive Before the Capital Is Ready

Consider an illustrative acquisition.

A company has just completed a substantial investment in its facilities, systems or operating capacity. The project is important to its strategy, but it has absorbed available liquidity and much of management's attention.

Then the CEO receives a call from an investment banker. A business or brand the company has long wanted to own is coming to market.

The fit appears compelling. The asset would be difficult to replicate. The opportunity may not be available again.

The CEO's instinct is to find a way.

That instinct is part of what makes entrepreneurial businesses successful. The advisor's role is to give it a disciplined financial and strategic framework—not to replace enthusiasm with reflexive caution.

First, establish why the asset matters. Does it add customers, geographic reach, intellectual property, distribution or operating capabilities? Which benefits are achievable with the company's existing resources? Which require further investment or integration work?

Then establish the complete funding requirement.

Purchase price, working capital, integration, management additions and necessary capital expenditures all belong in the analysis. So does an appropriate allowance for the recently completed investment to take longer than expected to generate cash.

The business needs the capacity not only to close the acquisition, but to own it successfully.

Structure Can Make a Good Opportunity More Achievable

A conventional purchase funded entirely with cash and debt is not the only arrangement worth examining.

Depending on the parties and circumstances, seller financing, staged ownership, minority investment, a joint venture or a strategic partnership may offer a workable alternative.

Each changes the allocation of capital, risk and future value.

Seller financing may reduce the cash required at closing but create repayment obligations that must fit the business's cash flow. Outside equity may provide patient capital while introducing new governance rights. A staged acquisition may allow the relationship to develop over time, provided interim control and later pricing are carefully addressed.

The seller's objectives matter here, too. A seller seeking immediate retirement may value certainty differently from one interested in continuing participation. Understanding those priorities can help the parties develop terms that serve both sides.

An independent ownership advisor helps compare the alternatives as complete economic arrangements. Counsel tests the legal framework and documents the agreed rights and obligations. Tax and accounting professionals assess the relevant consequences and assumptions.

The strongest solution is not necessarily the one that raises the most capital or produces the highest headline price. It is the one that gives the business a sound basis to execute the opportunity.

Understand Each Participant's Role

Special situations bring together people with different responsibilities.

A banker engaged by a seller is pursuing the seller's objectives. A lender is evaluating a credit. An investor is assessing the return and protections associated with an investment.

Those perspectives can be constructive and valuable. The owner still needs an assessment of how each proposal fits the business and the ownership objectives as a whole.

The same clarity should apply to the independent ownership advisor.

Who is the client? What work is authorized? How is the advisor compensated? What relationships or incentives should be disclosed? Where are additional specialists required?

A defined engagement supports better collaboration. It also makes clear that the advisor is evaluating choices—not assuming that every discussion must end in a transaction.

Give Counsel a Commercial Partner in the Decision

The attorney may be the first outside professional called because the relationship is trusted and the matter has clear legal implications.

That creates an opportunity to assemble the right expertise early.

Counsel establishes legal authority, obligations and protections. Management contributes operating knowledge and execution capacity. Accounting and tax professionals assess the

relevant financial and tax questions. An ownership advisor helps develop and evaluate the commercial alternatives. We lead the financial and business negotiation, working closely with counsel on the legal terms that give those decisions effect.

The work should be coordinated rather than sequential. Legal provisions can affect financing. Financing terms can affect control. Ownership arrangements can affect management incentives and future liquidity.

A useful decision framework brings those connections together: the objective, available alternatives, capital requirements, ownership consequences, material assumptions and next steps.

That gives the owner a clearer basis for choosing and counsel a coherent commercial arrangement to document.

Turn the Event Into a Deliberate Next Step

The best outcome in a special situation is not always a completed transaction.

It may be a workable transition that allows one shareholder to step back while others move forward. A financing that gives a capital investment time to perform. A new partner who contributes expertise as well as funds. Or an acquisition structured to support the growth the owners envisioned.

Sometimes the right decision is to prepare further or retain the existing arrangement. That, too, can be a constructive result when it follows a considered examination of the alternatives.

If you are an owner facing a shareholder transition, a capital requirement or a compelling opportunity, consider bringing an independent ownership advisor into the discussion alongside counsel and your existing team.

If you are the attorney receiving that first call, consider whether additional commercial ownership experience would help the client evaluate what comes next.

Begin with a focused assignment: clarify the objectives, examine the alternatives and determine what each would require from the business and its owners.

The unexpected may change the timetable. With the right perspective and a coordinated team, it can also open a path to a stronger business, a more workable ownership arrangement and a future the owners are enthusiastic to pursue.

About the Author

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