

CASE STUDY

How a \$40M Acquisition Nearly Destroyed a Family Business — And the Decision That Saved It

THE SITUATION

A second-generation industrial services company owner faced an inflection point. His business—\$18M in annual revenue, 120 employees, built over 25 years—had attracted serious interest from a strategic buyer. The offer: \$40M. The timeline: aggressive. His legal team was drafted, the LOI was ready, and the board was briefed. The founder was ready to sign.

THE HIDDEN RISK

Something didn't feel right. The founder couldn't articulate what. Before the board vote, he engaged an outside senior advisor for a single strategic session.

What emerged in that conversation: the deal structure contained two hidden time bombs. First, an earnout clawback mechanism would strip him of operational control within 18 months through metrics he couldn't influence post-close. Second, the "premium price" was actually a discount when adjusted for earnout risk—the founder was assuming the downside while surrendering upside. Both his CFO and his attorney had missed it.

THE INTERVENTION

Armed with clarity, the founder renegotiated. He removed the earnout clawback entirely, secured a guaranteed three-year operational role with veto rights over key decisions, and added a \$4.2M holdback protection clause triggered only by independent audit. The buyer accepted every term—because the founder's leverage came from understanding the deal, not from bluffing.

THE OUTCOME

The deal closed at \$38.5M—\$1.5M below the original offer, but with structures that protected his position, his legacy, and his people. Eighteen months later, had he signed the original terms, he would have lost operational authority and faced earnout clawbacks. Instead, he remained in control.

"That one conversation saved me from the most expensive mistake of my career. I was about to sign away control and assume risks I didn't even see. I came in thinking the deal was done."

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Joseph Soares served in Canada's Prime Minister's Office during the 2008 financial crisis. Chief of Staff, Senate of Canada during COVID-19. Published in Forbes and Newsweek. 30+ years cross-sector leadership.