Bespoke Capital

After the Exit

How business owners can evaluate direct deal opportunities after a liquidity event

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EXECUTIVE SUMMARY

After a liquidity event, the owner does not just need to become a good investor. The owner needs to become a disciplined allocator of capital, attention, reputation, and relationships.

Selling a privately held business can create a level of financial freedom most entrepreneurs have spent decades trying to achieve. But liquidity also brings a new challenge that many owners are not prepared for: everyone suddenly seems to have an opportunity.

A friend has a real estate project. A former employee is launching a startup. A country club acquaintance has access to a private company. A family member wants help funding a business. A sponsor has a “can’t miss” deal. And because you were successful in your own business, people assume you will know how to evaluate theirs.

Some opportunities may be worth exploring. Many are not. The challenge is not simply identifying good deals. It is building a disciplined process to protect your capital, your family, your reputation, your relationships, and the financial independence you worked so hard to create.

> **The objective is not to say no to everything.**
>
> The objective is to create a process that helps you know when to say yes, when to say no, and when to slow down long enough to get the right people involved.

At Bespoke Capital, we work with successful privately held business owners. We have seen how direct investments can create opportunity, diversification, and meaningful upside when approached correctly. We have also seen how they can become distractions, create family tension, damage relationships, trigger unexpected tax issues, and quietly erode the financial security created by a business sale.

This whitepaper is designed to help owners build a practical framework for evaluating direct deal opportunities after a liquidity event. It is educational in nature and is not a recommendation to participate in any specific private investment, direct deal, private placement, or strategy.

THE SECOND WAVE AFTER A BUSINESS SALE

Most owners spend years preparing for the first major decision. They must weigh whether to sell the business, when to sell, who to sell to, and how to structure the transaction.

But after the sale closes, a second wave begins.

That second wave is the flood of investment opportunities, private deals, business ideas, real estate projects, fund commitments, family requests, charitable asks, and “once-in-a-lifetime” pitches that often follow a liquidity event.

This can be flattering at first. It can feel good to be seen as someone with influence, capital, and business judgment. But it can also become overwhelming.

For years, your wealth may have been concentrated in one business you understood deeply. You knew the customers, the employees, the margins, the risks, the competitive landscape, and the daily operating reality. After an exit, the opportunities coming your way may be in industries you do not know, with operators you have not worked with, using assumptions you cannot easily verify, and offering liquidity terms you may not fully control.

That shift matters. A successful operator is not automatically a successful private investor. The skillsets overlap, but they are not the same.

> **A Better Question**
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> The question is not only, “Could this deal work?” The better question is, “If this deal does not work, what does it cost me financially, emotionally, relationally, and strategically?”

WHY DIRECT DEALS ARE SO TEMPTING FOR FORMER BUSINESS OWNERS

Direct deals appeal to entrepreneurs for understandable reasons.

You built something. You know what it is like to take risk. You understand that exceptional outcomes rarely come from doing what everyone else is doing. You may also miss the excitement, pace, and identity that came with operating a business.

That is why private deals can feel more interesting than a traditional portfolio. They are tangible. They involve people, products, buildings, markets, and stories. They often feel more personal than owning public stocks or bonds. They may also create the feeling that you are back in the game.

But that emotional pull can create risk. After a liquidity event, you are no longer simply trying to create wealth. You are trying to protect, steward, and allocate wealth in a way that supports your family, your lifestyle, your giving, your estate plan, and your long-term independence. That requires a different lens.

These are the patterns we see most often when owners move from operator to post-exit allocator.

1. Confusing familiarity with due diligence

Many direct deals come through people you know. A strong relationship does not replace financial analysis, legal review, tax analysis, background checks, operating diligence, or an objective evaluation of risk.

2. Investing before defining the role of direct deals

A direct investment should fit within the full balance sheet: liquidity needs, family commitments, taxes, philanthropy, estate planning, and the portion of wealth intended for higher-risk, illiquid opportunities.

3. Underestimating illiquidity

Once capital is committed, it may be tied up for years. There may be no practical market, no distributions, transfer restrictions, or additional capital calls.

4. Ignoring personal liability

Some opportunities include guarantees, indemnifications, side letters, debt exposure, or unfunded commitments. The wrong deal can quietly reintroduce risks an owner just worked hard to exit.

5. Letting relationships override process

A family member, friend, former employee, or community relationship can make it difficult to say no. A defined process makes the decision less personal and protects relationships.

6. Failing to evaluate the operator

In many private deals, the quality of the operator matters more than the spreadsheet. Execution, communication, integrity, track record, and personal capital at risk all matter.

7. Overlooking tax complexity

Direct investments may create K-1s, multi-state filings, passive activity issues, valuation challenges, UBTI in certain structures, or complications for trusts and family entities.

8. Forgetting estate and family implications

An illiquid minority interest may be hard for a spouse, trustee, or children to value, monitor, sell, or fund. A good deal can become a bad legacy asset if it is not integrated properly.

At Bespoke Capital, we believe direct deals should be evaluated through five lenses.

1. The Personal Lens

Does this investment fit your life? Does it create stress, require active involvement, pull you back into operating mode, or create tension with your spouse or family? The best investment on paper may not be the right investment for your family.

2. The Financial Lens

Does this investment fit your balance sheet? This includes expected return, downside risk, concentration, liquidity, cash flow needs, tax exposure, and fit within the broader asset allocation.

3. The People Lens

Who is involved? The sponsor, management team, co-investors, board, legal counsel, and operating partners all matter. Incentives and control rights should be understood clearly.

4. The Structure Lens

What are you actually buying? Common equity, preferred equity, debt, convertible notes, membership interests, or something else? What rights do you have, and what rights do you not have?

5. The Exit Lens

How do you get out? Sale, refinance, recapitalization, distributions, redemption, public market event, or no clear exit? Vague answers may be acceptable only if the risk is recognized upfront.

Set the size of the sandbox before the pitches begin.

One of the most effective disciplines is to define a direct deal allocation before evaluating individual opportunities. That allocation may be a specific dollar amount, a percentage of investable assets, or a separate bucket reserved for higher-risk, illiquid opportunities.

A PRACTICAL CHECKLIST BEFORE YOU COMMIT CAPITAL

A good deal should be able to survive thoughtful review.

1. What percentage of my net worth would this represent?
2. Am I prepared to lose the entire investment?
3. How long could my capital be tied up?
4. Are there expected capital calls?
5. What happens if I do not participate in future funding rounds?
6. Who controls the company or project?
7. What legal rights do minority investors have?
8. What fees, promote structures, or conflicts exist?
9. How much capital has the operator personally invested?
10. Has the operator successfully returned capital before?
11. Have background checks been completed?
12. Has legal counsel reviewed the documents?
13. Has my CPA reviewed the tax implications?
14. Does this create state, local, or international filing obligations?
15. Does this fit within my estate plan?
16. Would my spouse understand this investment if something happened to me?
17. Could this damage an important relationship if it goes poorly?
18. Is my name or reputation being used to attract other investors?
19. What is the downside case?
20. What would need to be true for me to say no?

The last question may be the most important.

If you cannot define what would cause you to walk away, you are not evaluating the deal objectively.

WHEN A “NO” IS ACTUALLY GOOD STEWARDSHIP

Many successful owners are generous by nature. They want to help. They want to encourage entrepreneurs. They want to support people they care about.

That is admirable. But stewardship sometimes requires saying no.

A thoughtful no can protect your family. It can preserve liquidity. It can prevent resentment. It can keep your estate plan clean. It can protect relationships from becoming financial entanglements.

One helpful approach is to create a standard response:

> **A simple response**
>
> “I appreciate you thinking of me. We have a process for reviewing private investments, and right now this does not fit the allocation or structure we have set for our family. I hope it goes well, and I am grateful you shared it with me.”

That kind of answer is clear, respectful, and not overly apologetic.

HOW TO BUILD YOUR DIRECT DEAL TEAM

The owner should not be the only person evaluating the opportunity.

A strong direct deal review may involve:

Wealth advisor

Evaluate fit within the broader plan, liquidity needs, asset allocation, and family objectives.

CPA or tax advisor

Review tax implications, K-1 reporting, state filing obligations, and ownership structure.

Attorney

Review documents, liability, governance, investor rights, transfer restrictions, and conflicts.

Industry expert

Assess market dynamics, operating assumptions, competitive risks, and execution realities.

Estate planning attorney

Evaluate ownership, valuation, transfer, trustee, and family governance implications.

Risk advisor

Assess insurance, property, operating, personal guarantee, and liability issues when relevant.

The goal is not to slow everything down unnecessarily. The goal is to prevent avoidable mistakes before capital is committed.

A PERSONAL PERSPECTIVE

At Bespoke Capital, our entire practice is built around one client type: successful privately held business owners.

I founded the practice in 2012 with a clear mission—to help owners become financially independent of their businesses through tailored strategies in exit planning, tax-aware planning, wealth preservation, investment management, and wealth transfer.

I have seen how a liquidity event can change an owner's life. The sale is not just a transaction. It is the owner's life's work changing form.

That is why the period after the sale matters so much. The goal is not simply to reinvest proceeds. The goal is to protect the independence the owner created, help the family adjust to new wealth, and build a disciplined process for the opportunities that will inevitably follow.

Direct deals can be part of that story. But they should be approached with humility, structure, and the right team.

Why Work With Specialists

If you are a business owner who has recently experienced a liquidity event, or if you are preparing for one, we invite you to schedule a confidential conversation. Together, we can help you define your direct deal allocation, evaluate opportunities through a disciplined framework, coordinate with your legal and tax professionals, and determine which opportunities fit your long-term goals.

> **The objective is not to eliminate opportunity.**
>
> The objective is to preserve what you have built while helping you evaluate opportunity with clarity, discipline, and confidence.

Contact us at cody@bespokecap.com to begin the discussion.

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