

Chaffe

Estate and Succession Planning with a Privately Owned Company

October 28, 2026

cpa

ABOUT CHAFFE & ASSOCIATES

For over 40 years, Chaffe has provided Valuation, Merger & Acquisitions, and other Transaction Advisory Services based on an unwavering commitment to its clients' best interests.



KEY HIGHLIGHTS

- Founded in New Orleans in 1982
- Proprietary List of Family Offices and Businesses
- $25MM-$250MM Transaction Sizes
- Diverse Industry Expertise
- Proven Track Record of Success
- Extensive Network of Institutional Lenders and Investors
- <$1M->$2B revenue range of entities valued
- 200+ Valuations Annually
- 8,000 Total Valuations

Chaffe's clients range from founder-led and family-owned businesses to publicly traded corporations, and sponsors spanning a broad spectrum of industries. They rely on our market presence and ability to add value during transaction processes.

Chaffe is the longest tenured, and most well-respected valuation firm in our region, with over 40 years of experience in valuing companies, entities, investments and other financial instruments.

M&A SERVICES ARE OUR CORE STRENGTH…

M&A Advisory
- Company Sales
- Corporate Carve Outs
- Management Buyouts
- Buy-Side Advisory
- Fairness Opinions

Capital Advisory
- Recapitalizations
- Debt Advisory and Placement
- Acquisition Financing
- Capital Formation/ Fund Raising
- Exit Planning

…VALUATION SERVICES SET US APART

- Estate, Gift & Income Tax Planning and Reporting
- Corporate Planning
- Litigation Support
- Employee Stock Ownership Plans (ESOPs)
- Intangible Assets
- Purchase Price Allocations
- Impairment Testing
- Level 3 Portfolio Valuations 409A Valuations
- Buy / Sell Agreements

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It should not be used in conjunction with any other matter.

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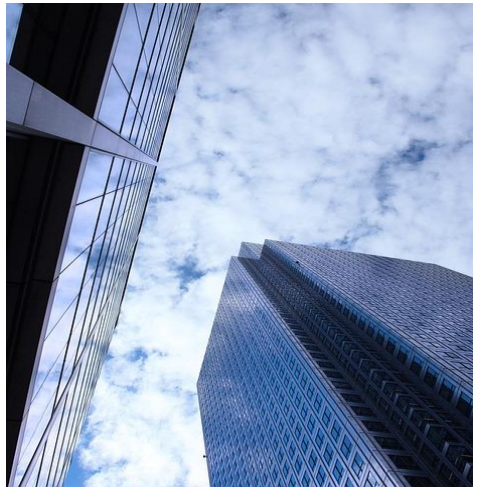
TABLE OF CONTENTS









- What is Exit Planning
- Valuing a Business
- Exit Options
- Today's M&A Environment
- Case Study



What is Exit Planning?

"By failing to prepare, you are preparing to fail"

- Benjamin Franklin

WHAT IS SUCCESSION / EXIT PLANNING?

Succession/Exit Planning is a proactive process that provides for a smooth transition or exit over time along with specific tactics to deal with unexpected contingencies (e.g. illness, burnout, divorce or death).

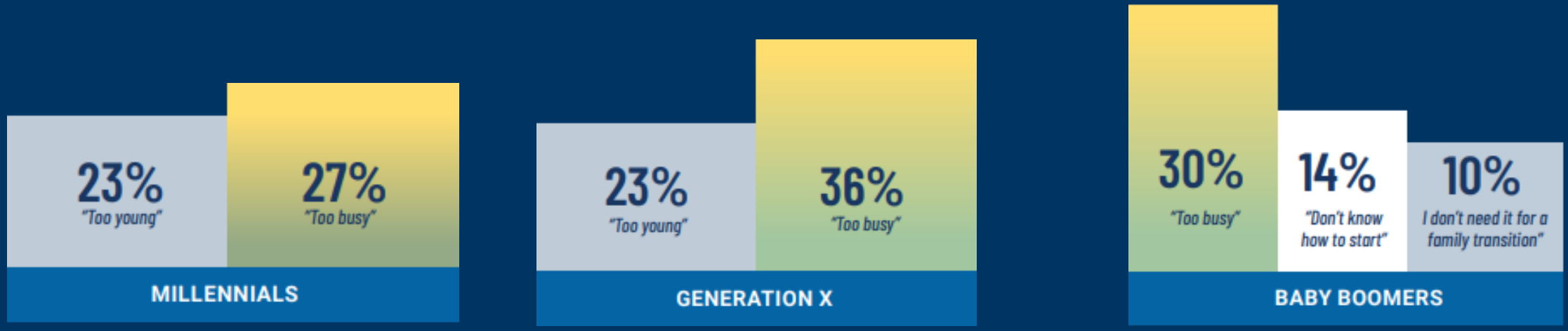


Source: Exit Planning Institute

DIFFERENT VALUES FOR THE SAME COMPANY

Exit Channel	Exit Option	Valuation Authority	Value Standard
Family	Gifting/GRAT	IRS	Fair Market Value with discounts
Other Owners	Buy-Sell Agreement	Owners	Negotiated value or Fair Market Value
Third-Party Buyer	Controlled Auction	Buyer, seller, and their advisors	Synergistic Value or Market Value

Why aren’t they exit planning?

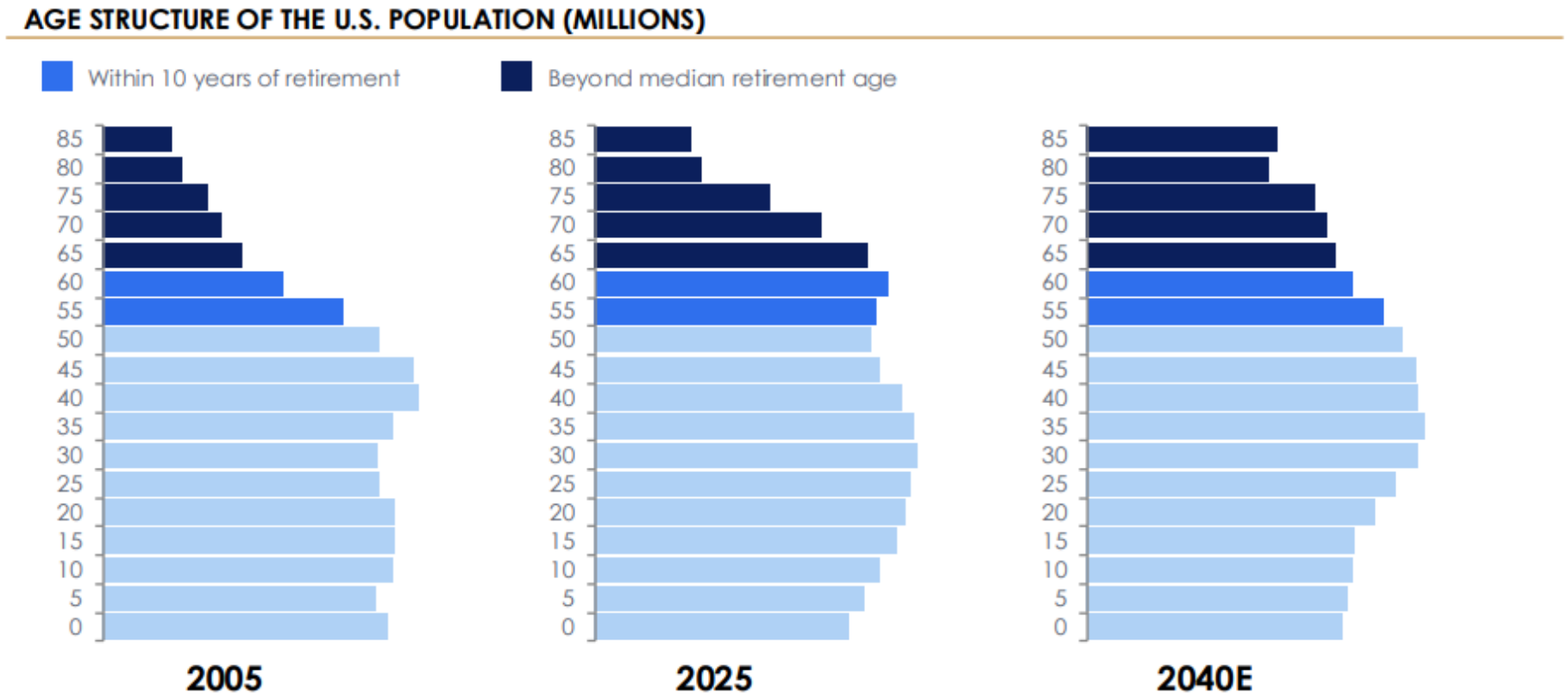


Most business owners who haven’t started exit planning aren’t opposed to it, they’re overwhelmed by it. The data consistently points to bandwidth and awareness as the barriers, not a lack of interest.

Source: Exit Planning Institute, 2025 Generational State of Owner Readiness Report

A WAVE OF BABY BOOMER RETIREMENTS IS UNDERWAY

The U.S. population above retirement age is projected to increase from 63.3 million in 2025 to 78.3 million by 2040.



	2005	2025	2040
Population over retirement age (millions)	**35.3**	**63.3**	**78.3**
Share of U.S. population, %	12%	19%	22%

Source: U.S. Census Bureau: McKinsey & Company



Valuing a Business

KEY TERMS

EBITDA: Earnings before interest expense, taxes, depreciation and amortization (Cash flow available to all capital providers)

EBITDA:
Net Income
+ Interest expense on long-term debt
+ Income taxes
+ Depreciation and amortization
= **EBITDA**

Total Enterprise Value ("TEV") = Equity + Long-term debt

Pricing multiple = TEV / EBITDA

Equity: Pricing multiple x EBITDA – long-term debt

VALUATION PROCESS

1. Gather Company Data
2. Site Visit
3. Research economic and industry information
4. Analyze company financial statements
5. Tests of valuation
6. Discounts, premiums, and value conclusion

QUANTITATIVE FACTORS THAT AFFECT A VALUATION



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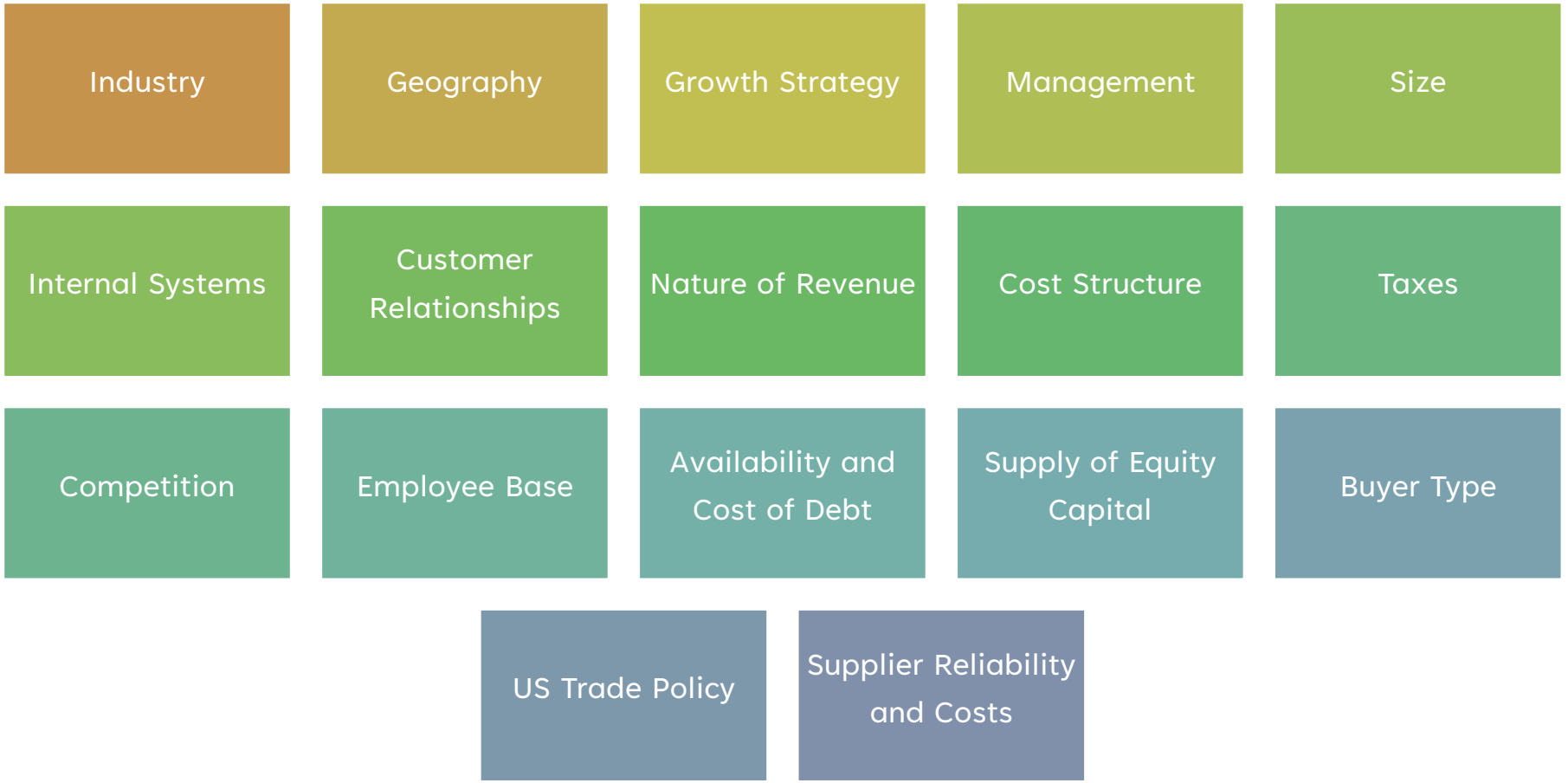
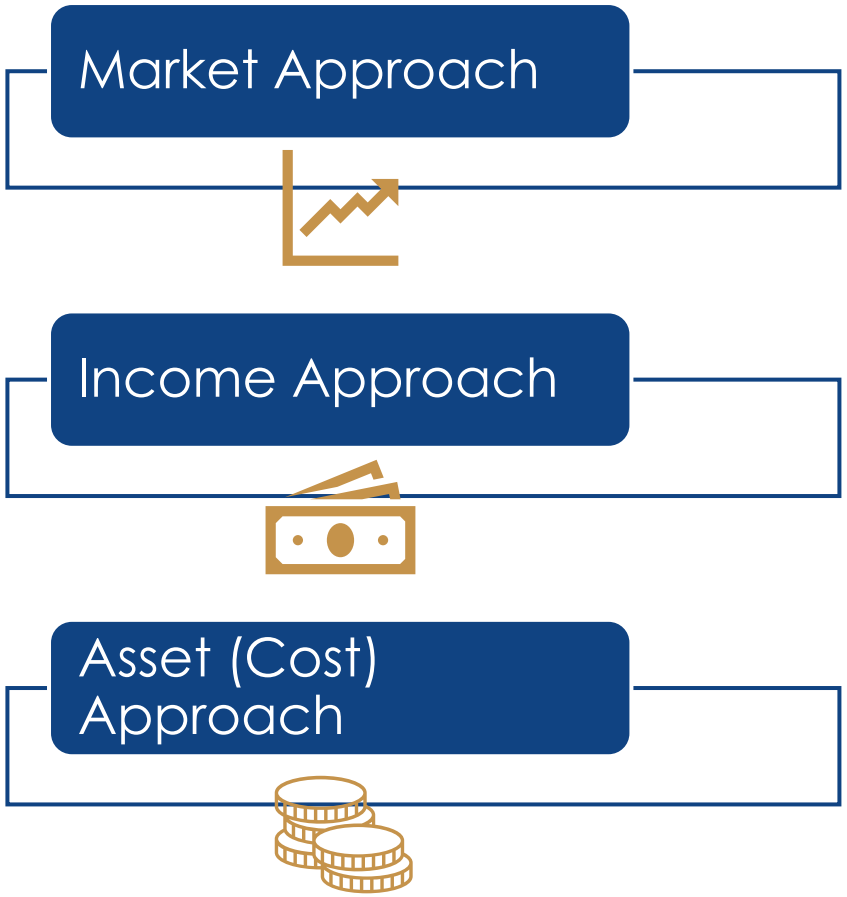


BUSINESS VALUATION CONSIDERATIONS



- Under each approach, there are multiple "methods"
- The use of one or several approaches (or methods) may be appropriate

THE DIFFERENT METHODS

Market Approach Methods	Income Approach Methods	Cost Approach Methods
Guideline Public Company Method - Multiples derived from comparable publicly traded companies Guideline Transaction Method - Multiples derived from actual M&A transactions of similar companies Prior Transaction Method - Analysis of past arm's-length transaction in the subject of company's own stock	Discounted Cash Flow (DCF) Method - Projecting and discounting future free cash flows to present value Capitalization of Earnings / Cash Flow Method - Capitalizing a normalized single-period earnings or cash flow figure	Adjusted Net Asset Method - Restating assets and liabilities to market value and netting the difference Liquidation Value Method - Estimating proceeds from an orderly or forced sale of assets, net of liabilities and costs

LEVELS OF VALUE



QUALIFIED APPRAISAL

- When claiming charitable contributions in excess of $5,000, **a "qualified appraisal" is necessary to substantiate the non-cash reported fair market value of non-publicly traded securities**.

- A qualified appraisal is an appraisal document prepared and signed by a qualified appraiser in accordance with generally accepted appraisal standards, which includes the substance and principles of the Uniform Standards of Professional Appraisal Practice ("USPAP").

- An appraisal is qualified **if it does not predate the contribution by more than 60 days, and contains certain information required by the Treasury Regulations**.

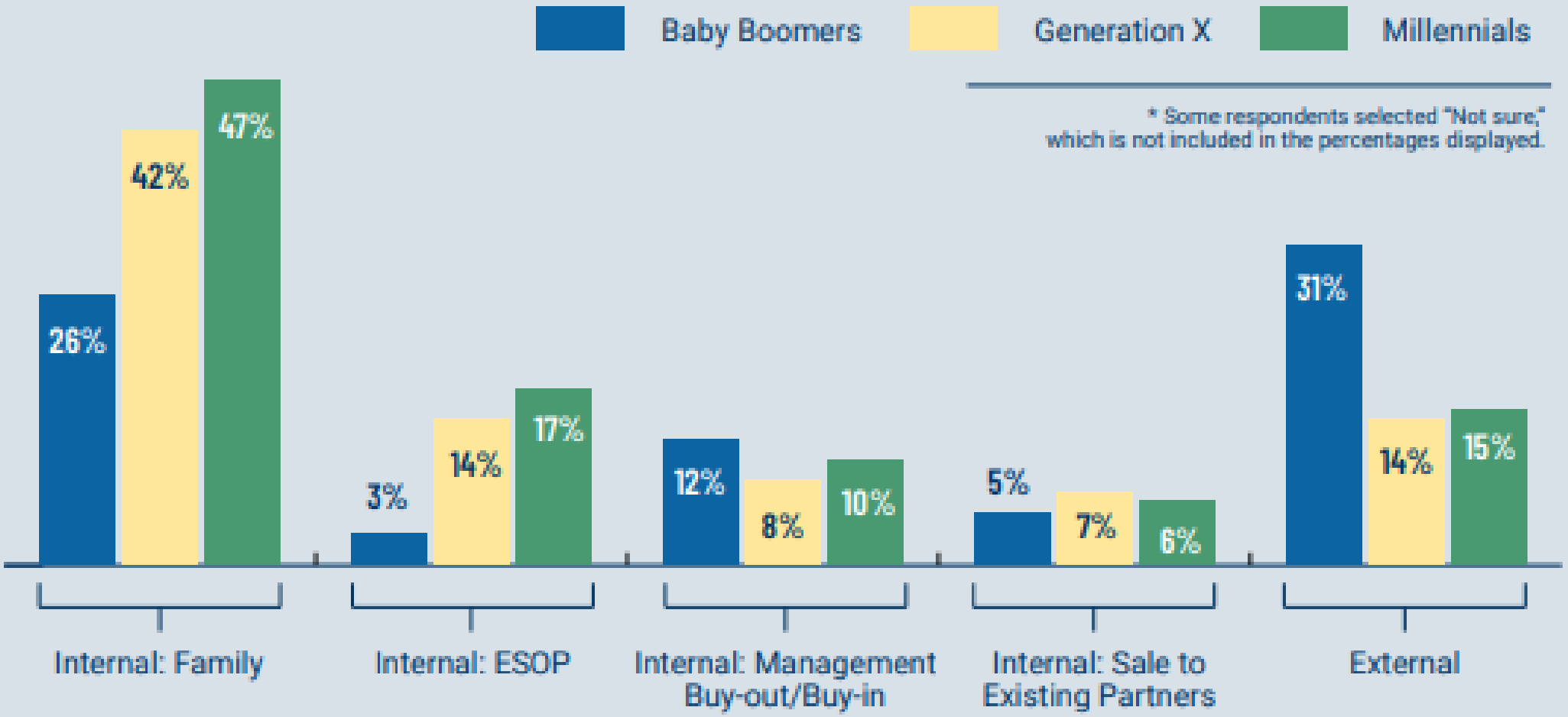
- A "qualified appraiser" is "an individual who (I) has earned an appraisal designation from a recognized professional appraiser organization or has otherwise met minimum education and experience requirements set forth in regulations, (II) regularly performs appraisals for which the individual receives compensation, and (III) meets such other requirements as may be prescribed… in regulations or other guidance."

- Income Tax Regulations 26 CFR § 1.170A-17 and Income Tax Regulations 26 CFR § 170(f)(11)(E)(ii)



Exit Options

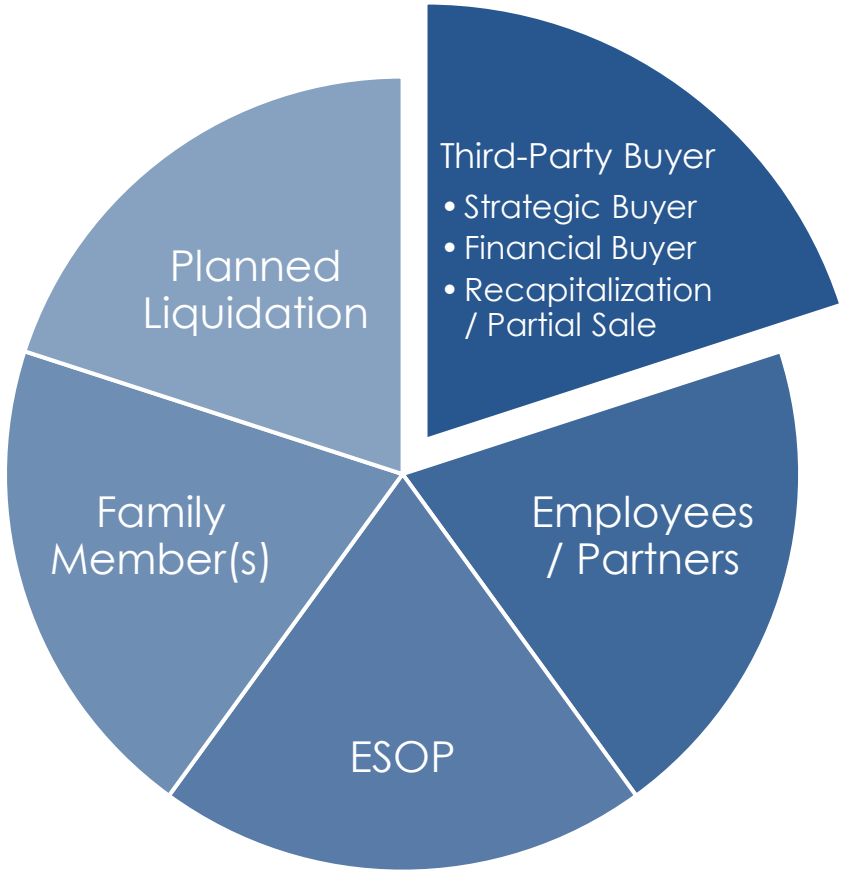
PLANNED EXIT OPTION BY GENERATION

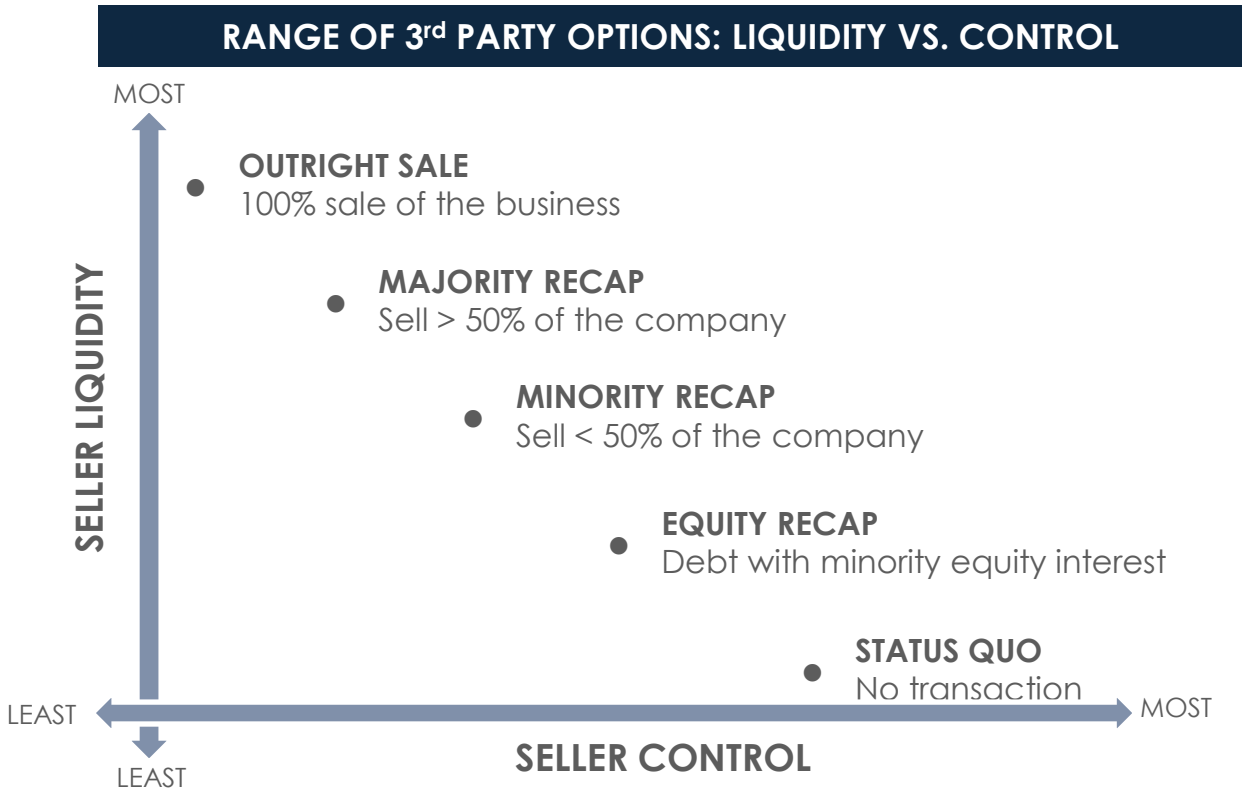


Source: Exit Planning Institute, 2025 Generational State of Owner Readiness Report

WHAT EXIT STRATEGY BEST ALIGNS WITH OWNER OBJECTIVES?

Owners can pick from a menu of possible successors



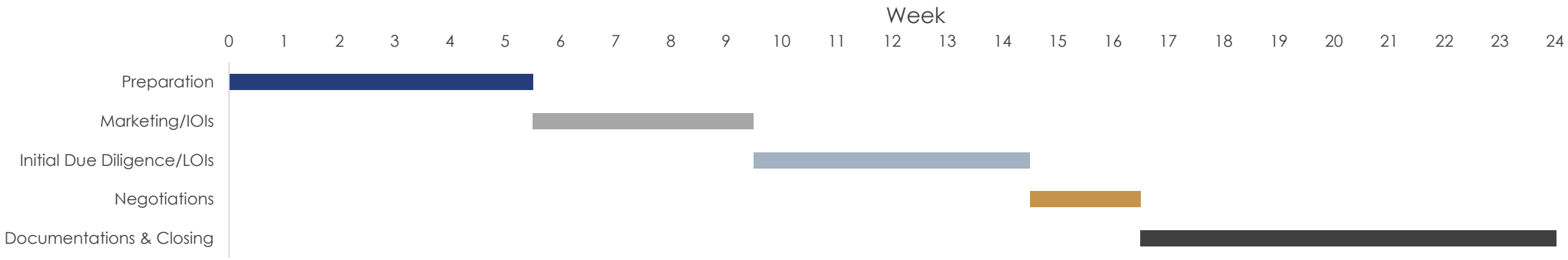




Assemble an Experienced Advisory Team

- Investment Banker (with M&A and Valuation Experience)
- Legal (Estate, Tax and/or Transactions)
- Accounting (Audit/Tax) - Quality of Earnings
- Wealth Planner/Personal Financial Advisor
- Insurance

STEPS IN THE SALE PROCESS



TRANSACTION TIMING

Preparation	Marketing / IOIs	Initial Due Diligence / LOIs	Negotiations	Documentations & Closing
4-5 Weeks	4 Weeks	5 weeks	4-5 weeks	8-12 weeks
▪ Obtaining and organizing company due diligence materials ▪ Drafting marketing materials ▪ Constructing financial models ▪ Finalizing target list	▪ Contacting potential buyers and lenders ▪ Executing confidentiality agreements ▪ Distributing marketing materials ▪ Soliciting Indications of interests ("IOIs")	▪ Conducting management meetings ▪ Launching a data room with limited information ▪ Responding to information requests ▪ Soliciting Letters of Intent ("LOIs")	▪ Requesting LOIs ▪ Selecting winning bidder ▪ Executing winning LOI	▪ Buyer conducting detailed due diligence ▪ Drafting and negotiating definitive agreement ▪ Conducting closing procedures

EIGHT MISTAKES TO AVOID WHEN SELLING

~80% of privately-held businesses available for sale each year fail to sell for any number of reasons…

1. Lack of investment thesis or rationale
2. Management neglects to take steps internally to ensure a successful transition of the business (e.g. management depth, facilities, equipment, safety, etc.)
3. Financials are not buttoned-up. No financial progression
4. Legal housekeeping never done
5. Seller neglects to develop a strategy to optimize and minimize taxes
6. Seller limits and/or takes for granted the potential buyer universe
7. Experienced advisors and deal team are not assembled or aligned on the seller's objectives
8. **Management / Seller forgets there is still a business to run!**



Today's M&A Environment

Timing considerations, market dynamics, and aligning exit goals with current deal conditions

Timing Considerations

Internal Factors

Business Cycle Position

- Sellers' command the highest multiples when EBITDA is growing, not peaking or contracting. Buyers discount flat or declining earnings aggressively.
- *Rule: go to market on the way up, not at the top*

Owner and Operation Readiness

- Dependency on personnel within a company is among the most common deal killers in diligence.
  - A business that cannot operate without its founder will be discounted by buyers or require extended transition commitments.
  - Building management depth 18 – 24 months before going to market meaningfully improves both price and deal certainty.
- *Rule: reduce key-man risk before you run the process*

Timing Considerations

External Factors

Market Cycle and Credit Considerations

- Over $1 trillion in private equity capital is sitting on the sidelines waiting to be deployed

Current Market Conditions

- Deal activity is recovering unevenly
  - Deal volume jumped nearly 10% year-over-year in Q2 2026 from the number of deals in the same quarter of 2025
  - Most activity at the lower end of the market, while the core middle market has remained comparatively restrained
- The quality split is widening
  - Middle market deals that do close are typically either true industry leaders that received strong valuations from a competitive buyer pool, or average companies that faced significant headwinds to close
- US M&A volume increasing, with mid-market deals supporting activity
  - Volume increased 9% from July through September 2026
  - Megadeals and large transactions have lost momentum (>$100m have declined 21% YoY)

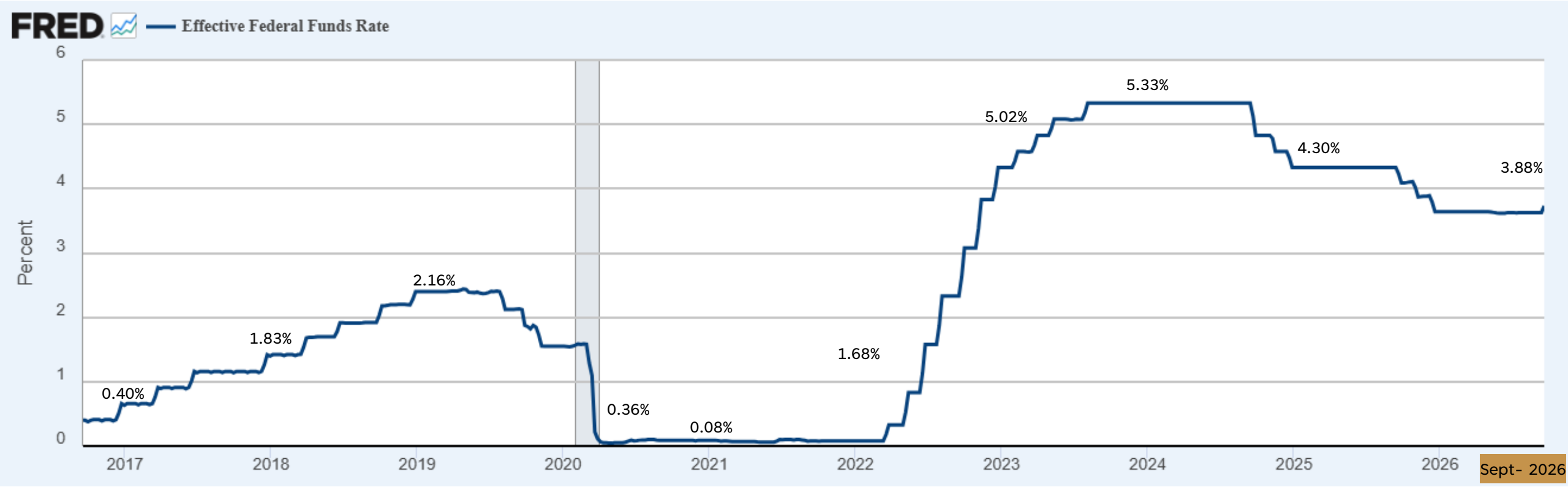
Policy Shifts

- Antitrust Posture
  - The current DOJ and FTC have largely abandoned the 2023 Merger Guidelines and returned to solving competition concerns through remedies rather than blocking deals outright
- Deregulation across sectors
  - A wave of deregulation affecting several sectors is reinforcing the direction of M&A
  - For privately held companies in regulated industries, the reduced compliance burden is making these companies more attractive acquisition targets and supporting higher valuations
- Federal spending compression
  - Companies with meaningful federal revenue exposure are being underwritten more conservatively as buyers price in the impact of federal budget cuts

Sell Side Advisors – M&A Market Report Q2 2026, Freshfields – M&A Predictions and Guidance for 2026
GF Data – M&A Market Report Q2 2026

INTEREST RATES ON DEBT

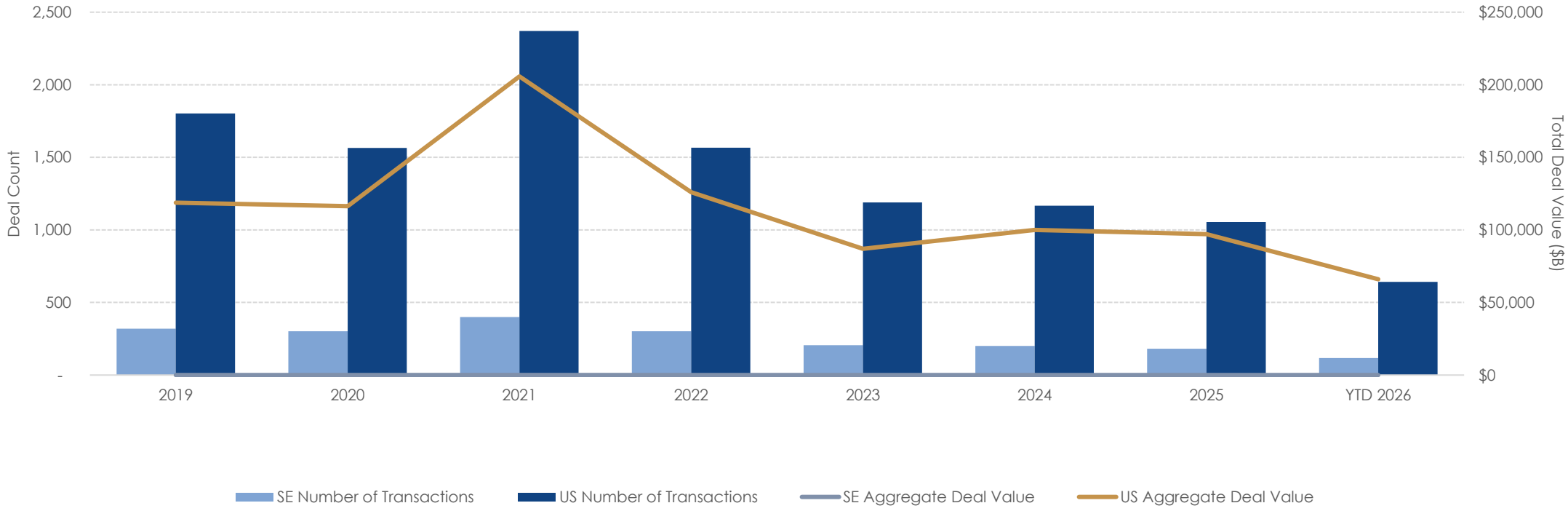
- Rate path remains uncertain: The Fed raised its target range to 3.75%-4.0% in September 2026, after holding rates for the first half of the year. Policymakers anticipate at least one additional 25 basis-point hike by year-end. This path will depend on persistent inflation, energy and geopolitical shocks, tariffs, labor market strength, and decisions by Fed Chair, Kevin Warsh.
- Improved financing conditions: Rates off their 2023 peak are reducing the cost of acquisition financing, improving deal economics and accelerating PE dry powder deployment across the lower middle market.
- Why it matters: The fed funds rate sets the baseline cost of borrowed capital. When rates are elevated, buyers finance acquisitions at higher cost, which compresses what they can pay for a business. At 3.88%, with the potential for additional increases, financing conditions have become less supportive of future deal execution, even as lenders continue to finance high-quality transactions.



MIDDLE MARKET M&A DEAL VOLUME & VALUE

Deal volume and aggregate deal value remain below 2021 peak levels, though activity has stabilized since the 2023 trough

- Deal volume remains below 2021 peak levels, largely due to higher financing costs and more selective buyers
- Immediately following the initial pandemic lockdowns in Q2 2020, M&A activity experienced a dramatic, unexpected resurgence by the third quarter driven by a desire to consolidate and adapt to new market realities
- Muted large-deal activity has weighed on overall deal volume, but strong middle-market businesses continue to attract buyer interest
- Improved financing conditions supported Q2 2026 activity, **although valuations still depend heavily on size, industry and company attributes**
- Inverse relationship between interest rates and M&A deal flow: interest rate hikes may decrease future M&A volume



Sources: S&P Market Intelligence: US M&A Transactions announced or closed, 2019-9/2026: Deal Values <$500MM

Middle Market PE Transaction Multiples by Industry

As of Q2 2026

Industry	2003-2021	2022	2023	2024	2025	YTD 2026
Manufacturing	6.3x	7.4x	6.5x	7.0x	6.6x	7.1x
Business Services	6.8x	7.4x	7.2x	7.2x	7.3x	7.5x
Healthcare Services	7.5x	8.4x	9.2x	7.7x	8.5x	7.7x
Retail	7.1x	8.0x	6.0x	7.4x	7.5x	6.8x
Distribution	6.7x	7.1x	7.1x	6.9x	6.9x	6.0x
Media & Telecom	7.6x	8.3x	7.8x	6.7x	6.9x	5.8x
Technology	8.6x	8.1x	10.2x	7.9x	6.4x	5.7x
Other	6.4x	7.0x	6.9x	7.0x	6.8x	6.8x

Illustrative sample of middle market PE transaction multiples in the $10M - $250M range across various industries

Source: GF Data, as of Q2 2026

Source: BVR, Business Reference Guide Online, Accounting Firms/CPAs

THE BUYER LANDSCAPE TODAY

Private Equity	Strategic Acquirers	Independent Sponsors
- Sitting on record levels of uninvested capital - Most activity is flowing into add-on acquisitions, rather than new platform builds - For a seller, this means the most likely PE buyer already owns a company in or adjacent to your space and is acquiring for strategic reasons, not just financial ones, which typically supports a stronger valuation	- Corporate buyers moving downstream into lower middle market deal sizes more than in prior cycles - Competing directly with PE for quality assets, which is what creates pricing tension in a well-run process	- Growing force competing for founder led businesses - Bring sector specific expertise and structural flexibility institutional funds can't always offer - Increasingly viable for sellers who want a buyer than knows their industry and isn't constrained by a fund mandate

MATCHING GOALS TO THE RIGHT EXIT PATH

The right exit isn't the one with the highest headline number, it's the one that delivers on what actually matters to you after the transaction closes.

Maximizing Value

- Best fit: Strategic sale of PE majority recap
- A competitive process with both buyer types in the room is what drives price
- Strategic pays for synergies; PE pays for growth potential. Running them against each other is a strategy.

Legacy and Continuity

- Best fit: ESOP or MBO
- These paths keep the business intact and in familiar hands. They take longer to execute and require more preparation, but for owners where culture and employee outcomes matter, they're the right answer

Flexibility and Continued Upside

- Best fit: PE recapitalization
- Take a large liquidity event today, roll equity into the next phase of growth, and participate in a second exit when the sponsor sells
- For owners not ready to be fully out, this is the structure built for that



Case Study

A. Grantor Trusts

B. Charitable Options



SALE TO A GRANTOR TRUST



STEP 1: Establish Grantor Trust with Initial Gift

Before the sale, settlor should "fund" the trust with assets equaling approximately 10% of the value of the assets to be sold.

Could require a substantial gift and the payment of gift tax by settlor



STEP 2: Grantor sells assets to the trust for a note

Assets sold to trust

Trust gives a note to grantor for sale



STEP 3: Repayment of Note

Trust assets are used to make note payments & grantor receives an income stream back



GOAL: Freeze the value of the assets transferred as of the date of transfer to avoid inclusion of appreciation in the settlor's estate.

SALE TO A GRANTOR TRUST - LOANS

- The IRS permits relatives to lend money to one another at the Applicable Federal Rate, which the government sets monthly.

- With these, relatives can charge far less than a bank or other 3rd party lenders.

- Note is "frozen" asset in the lender's estate

For example—

Short-Term Interest for September 2026 is 4.18%
Mid-Term Interest for September 2026 is 4.49%
Long-Term Interest for September 2026 is 5.12%



GRAT EXAMPLE



PLANNING FOR HNW FAMILY

Business Value $100 million in January 2026

Sale of Business for $150 million in December 2029 (3 years)

- ~15% Compound Annual Growth Rate

ESTATE PLANNING FOR HNW FAMILY

Year – 2026
Co Value - $100



Two 40% Blocks

Two X $24 million *

Trust for Kids

Note / GRAT Payment

$48 million

20% interest remaining

Year – 2028
Co Value - $130

10% Block

$10.5 million*

Charity



*After 40% discount for lack of control and lack of marketability

*After 20% discount for lack of control and lack of marketability

PLANNING FOR HNW FAMILY – COMPANY SELLS – ESTATE PLANNING IN PLACE SALES PRICE $150 MM

Parents	Trust for Kids	Charity	Taxes
			IRS Department of the Treasury Internal Revenue Service
$67.5 million (Stock + Note)	$67.6 million (Stock – Note)	10% Block $15 million	$14.1 million

If no planning took place, the value would have been:

$150 million (all stock proceeds)	$0	$0	$47.1 million

Planning results in **$33.0 million** of tax savings

CHARITABLE OPTIONS

- Donor Advised Funds
- Charitable Private Foundations
- Charitable Lead Trusts
- Charitable Remainder Trusts

CLOSING COMMENTS

Business owners should always be ready to exit.

There are three legs of success that always need to be addressed in an exit plan: Personal, Financial, and Business.

Identify long-term goals to better understand what type of exit you wish to achieve.

Explore the numerous avenues to exit the business and the rewards and consequences of each alternative.



Questions?

Chaffe

Corporate Finance | Valuations

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