

HOW TO

Partner with private equity to achieve your goals

If your goal is to grow your company, or diversify your wealth (or both), private equity can be a solution.

We've talked to a number of successful business owners who have an aggressive growth plan for their company. However, growth usually means taking risks, like investing in plant and equipment, hiring new talent, and borrowing money. Many of these business owners have most of their net worth tied up in their company. They may have retirement in their sights and often prefer a liquidity event to diversify their wealth, rather than risk everything they own on an unproven growth strategy.

Growth and shareholder liquidity can often be conflicting goals. By partnering with a private equity firm, you may be able to achieve both.

Private equity firms are groups of individuals with experience in finance and operations. They raise pools of capital from high net worth individuals and institutional investors, such as banks, insurance companies, and pension plans. This capital is invested in private companies in various types of transactions, including recapitalizations, acquisitions, and management buyouts.

Over the past ten years, Tonka Bay Equity Partners has used private equity as a solution to help business owners and management teams achieve their goals. The following are examples of how to partner with private equity.

Recapitalization – Healthcare Statement Processor

Recapitalizations are financing transactions which provide shareholders with liquidity and also provide capital for growth. In other words, you can have your cake and eat it too! Another term used for this type of transaction is “private IPO.”

In this situation, an entrepreneur founded and built a successful healthcare

Cary Musech
Managing Principal

**Tonka Bay
Equity Partners**
952-345-2035
612-819-9597



statement processing company. The company's growth strategy included geographic expansion, which involved hiring sales representatives in new territories and making acquisitions. This would entail borrowing money, personal guarantees – and risk! The business owner still had children to put through college, and he was thinking about retirement and that cabin up north. The status quo was the safest route. But, he knew that the business would not survive and thrive with the status quo.

The solution was for Tonka Bay to purchase a large equity position from the founder and to invest additional capital for growth. With his personal financial position secure, the founder is re-energized and focusing on growing his company.

Acquisition – Flexible Circuit Manufacturer

After fifteen years of creating and building a profitable manufacturer of prototype and low volume flexible circuits, this entrepreneur wanted to sell her business, hop on her motorcycle, and tour the country with her husband. Fortunately, she planned for this event. Over the past few years, she built a professional management team and was starting to phase out of the business.

While she wanted to sell her business, she cared deeply about her employees and her community. She did not want to sell to a strategic buyer who would close her

plant and put many long-time business associates and friends out of work. She also wanted the management team to have an ownership opportunity with the company.

Tonka Bay structured a transaction which provided liquidity for the founder and allowed management to co-invest in the company. The company continues to grow, add employees, and be an important part of the community. The deal was truly a win-win for everyone involved and enabled the founder to achieve her goal – to ride off into the sunset!

Management Buyout – Dental Management Company

Beginning with a single dentist office, this management team grew the business to twenty-five locations. The founder decided to merge the business with a company that became publicly traded. When the public company encountered financial difficulties, the management team had the opportunity to buy the business. However, with little capital of their own to put into a deal, buying the business seemed out of reach.

By partnering with Tonka Bay, management led a successful buyout of the company. With a strong financial partner, they were able to start growing again and acquired a number of new locations. As owners of the company, and with additional financial incentives, the management team participated in the shareholder value that they helped create.

Choose the Right Partner

If you decide to partner with private equity, it is important to choose a firm that shares your values and your vision for the future. The right firm can be a value-added partner and provide board-level operating and strategic assistance. This kind of partnership assures that both parties are successful in achieving their goals!