

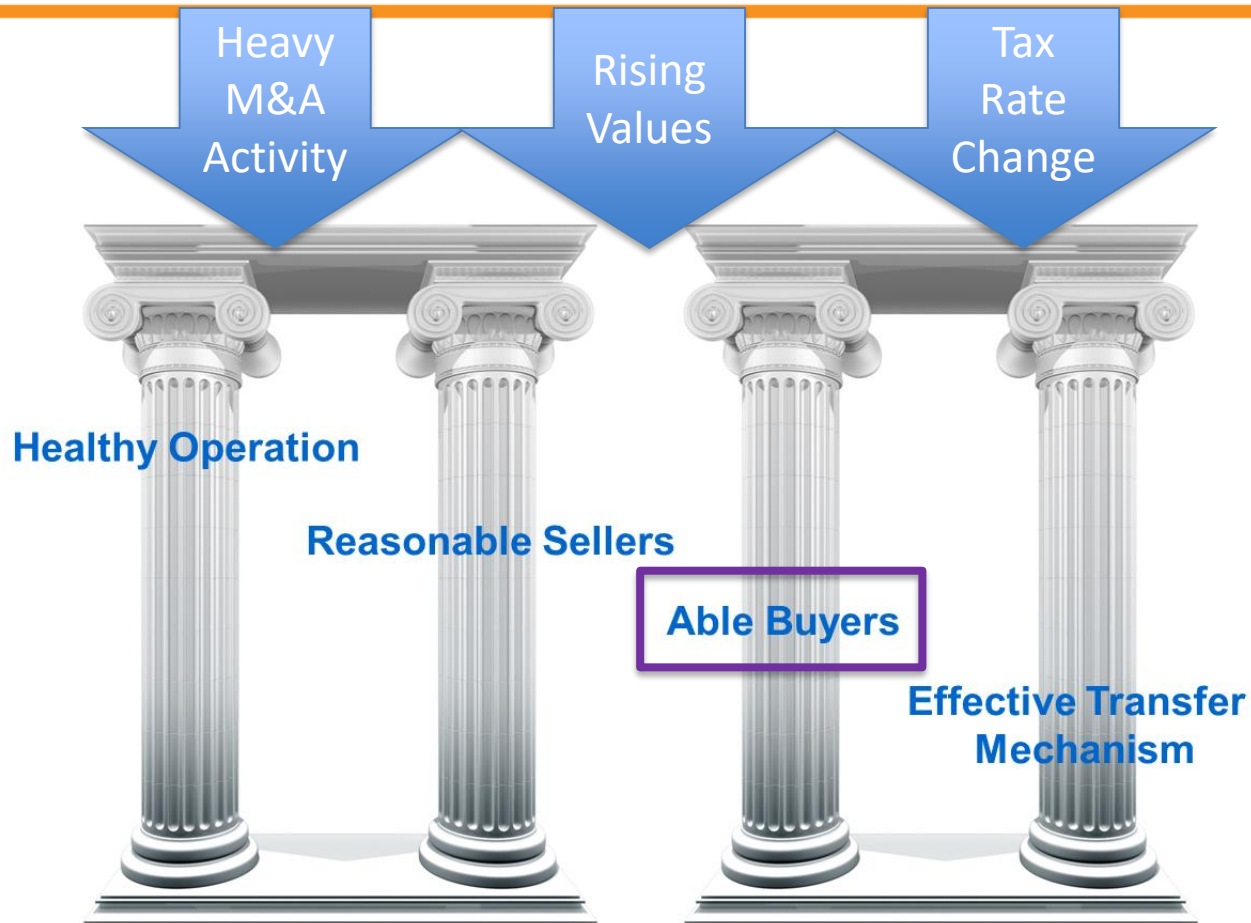


Best Practices for Agency Operations Webinar Series

The Buyer Coverage Ratio: The Most Important Metric in Perpetuation

Brian Deitz / Reagan Consulting

The Pillars of Perpetuation



Buyer Affordability 101



How do firms balance perpetuation funding?
What is the right mix of capital between
buyers and brokers?

The Buyer Coverage Ratio

BUYER COVERAGE RATIO

Buyer Ownership
Distributions or Bonuses

Buyer Principal & Interest
Payments

MEDIAN BUYER COVERAGE RATIO IN THE INDUSTRY

100%

Myths of the 100% BCR

A Buyer Coverage Ratio of 100% means we're giving shares away

FALSE

- Buyers of shares have tax obligations on the distributions / bonuses before they can use them to repay share purchase debt
- Buyer coverage ratio does not factor in down payments

A Buyer Coverage Ratio of 100% means our shares are affordable

FALSE

- Tax obligations can be cost prohibitive – especially in high-tax states
- Out-of-pocket requirements rise with firm size

We're a C-Corp, the BCR is irrelevant for us

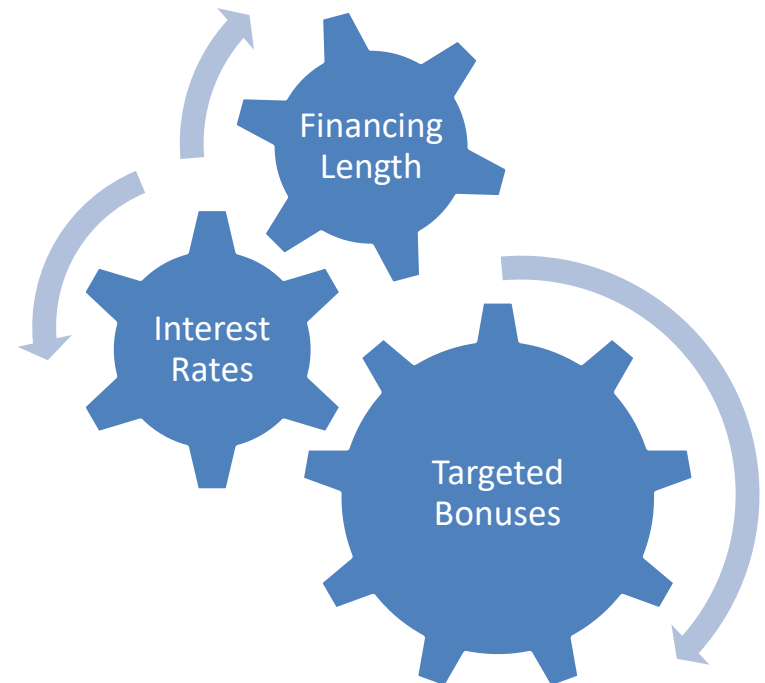
FALSE

- Share grants / share bonuses are equivalent to a 100% BCR
- Ensuring buyer affordability in C-Corps boils down to the same economics

How Do We Adjust our BCR?

EXAMINE THE VARIABLES AND ADJUST THE LEVERS

- What is the state tax burden for our purchasers?
- What does our size imply about the out-of-pocket requirements of our share purchase / grant program?
- In What stage of life / career are our most frequent purchasers of shares?



The Demand Value Chain

