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How talent-backed ownership groups change private equity deal math

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Category-relevant talent can create deal supply, make seller rollover more valuable and help an independent sponsor raise the capital to close. Transactions like these are complicated, and the documents must carry that weight.

By its own account, Rhoback did not need money. The activewear company had been profitable from the start, had never raised outside capital and would remain founder-controlled.

It took a minority investment (https://bit.ly/4iaKTSO) anyway in June 2026, from CHAMP (https://bit.ly/4ivjrhD), the L Catterton and Patricof Co partnership launched in April with more than 250 elite athletes who invest as co-owners of portfolio companies.

Rhoback was CHAMP's first announced partnership. Its founders said they had not been looking for capital. They had been looking for the right partner.

For anyone who buys companies for a living, that last sentence lingers. Ordinary capital could not buy into this business. But a particular ownership group could.

The right athletes, entertainers and creators bring capital, credibility, product judgment, distribution and identity rights while attracting other talent, customers and commercial partners. Assembled around the right company, those capabilities can create a transaction that would not otherwise exist, separate one bid from an economically similar one, and change how a seller values the equity it keeps.

None of it happens because a deck says so. The legal work runs from before the letter of intent all the way through the hold period, and it keeps returning to one question: what can this particular person actually do for this particular company, and what has anyone promised in return?

Build an ownership group worth choosing

Private equity's supply problem is not that excellent companies have disappeared. It is that many are absent from the market.

Owners who funded growth out of cash flow and kept leverage modest look at a sale process and see a new boss, a diligence list and a series of standing calls they do not need. Sponsor-owned grade-A companies are not reliably available either, now that continuation vehicles let a sponsor deliver liquidity while holding an asset it likes.

What remains draws hard competition, especially for independent sponsors that cannot win by stretching furthest and explaining the price later.

Institutional capital has noticed. Align Capital Partners closed Align Collaborate Fund II (https://bit.ly/4iP8M1t) at $375 million in June 2026, a fund dedicated to independent-sponsor transactions.

Some traditional committed-capital buyout funds go further and write the entire third-party equity check for a transaction an independent sponsor has sourced and put under letter of intent, leaving the originator with negotiated carry while taking the lead on governance and post-closing stewardship. That reflects a market judgment that the model produces fundable transactions precisely because of its constraints.

An independent sponsor faces a deal-specific financing test on every transaction. It has to source differently, hold its price discipline and arrive with a value creation plan credible enough to win the seller and the capital. Scrappy is not a personality. It is the job description.

What the independent sponsor still owns is the flexibility to decide who else is in the ownership group. A committed fund arrives with investors already chosen and a mandate set before the company was identified, making it both fast and rigid. An independent sponsor raises against a specific opportunity, so the ownership group is built for the company rather than inherited from the fund, including capital that brings something besides money.

This flexibility becomes an asset for the independent sponsor and the seller. While all dollars are green, some are greener. The strongest form of proprietary sourcing is not reaching a willing seller before the banker does. It is creating the reason an owner becomes willing to transact.

Bring talent in before the letter of intent

Inc.'s Modern CEO (https://bit.ly/48tbKDH) reported that Rhoback came to Patricof Co and CHAMP not through a

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banker or other intermediary, but through Sam Hubbard, a former Cincinnati Bengals defensive end whose cousin co-founded the company. The right talent can source deals through personal efforts and contacts, not merely lend a name for someone else to use.

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A sponsor reciting its roster of athletes to an owner is marketing, and owners have heard a lot of marketing. A member of that roster picking up the phone to a founder he already knows, because he thinks the business is worth owning, is origination. The sponsor usually cannot manufacture that call. What it can do is build the economics so that making the call is incentivized.

Timing is the hard part. Bring talent in late and it is decoration. Bring it in early and describe it too confidently, and the sponsor has promised a role, an economic package or identity rights it does not control.

Before a bid leans on a name, the deal team must speak with the talent or someone with authority and determine the contemplated investment or compensation, expected role, conflicting exclusivity or endorsements, and who pays. A name in a deck is not a commitment.

A deal team should get something signed early. Even a nonbinding term sheet covering the role, exclusivity and basic economics can convert an interesting conversation into a transaction the person has actually considered.

Talent is pitched constantly and declines most of it, often without meaning to, by simply never getting to a decision. Asking for a signature forces the decision while the sponsor still has time to work with the answer.

It also surfaces the agent, manager, conflicting endorsement and actual signatory before a late surprise can derail the process. Nonbinding still means nonbinding. A signature buys a considered decision, not secured funding, enforceable services or permission to use a name.

Sell the same transaction twice

An independent sponsor has to sell the same transaction twice. First it wins the opportunity to transact; then it attracts the capital needed to close.

Rollover does two jobs: It forms part of the seller's consideration and the buyer's financing. Those jobs are connected, and the connection is where a strong ownership group can differentiate itself.

Rollover also means the seller is not cashing out and walking away. The ownership group continues after closing, which is the thing Rhoback's founders said they were actually looking for.

Sell the value of the rollover as consideration

Start with consideration. Two bids that each require a 20% rollover are not two prices. They are cash at closing plus two different securities with two different partners standing behind them.

Assume Buyer A offers $100 million: $80 million at closing, $20 million rolled (20%), and if that rolled investment returns four times under Buyer A it is worth $80 million, for $160 million in total. Buyer B offers $125 million: $100 million at closing, $25 million rolled (20%), and if that investment only doubles it is worth $50 million, for $150 million in total.

The seller who took $25 million less on the headline finished $10 million ahead, because the partner moved the number more than the price did.

That is nominal, not present value, and it sets aside timing, taxes, dilution from follow-on capital, repurchase risk and the chance the second exit never arrives, all of which a seller and its counsel must weigh. Sometimes the $125 million bid is the better bid. The illustration does not determine the winner; it shows that the headline price cannot either.

And notice what Buyer A never needed to do. It did not stretch on value, so it is not explaining to a lender or a limited partner why the entry multiple sits a turn above the last three comparable deals.

It can go further. A buyer that has sold the seller on its value creation plan — including operating initiatives, hires, commercial partnerships and talent that will open doors — is not asking the seller to leave money behind. It is offering a second bite at the apple in a business the seller already knows, next to a buyer the seller now believes in. That seller may roll 30% instead of 20%, which on the same offer and the same outcome with Buyer A takes it from $160 million to $190 million.

Buyer A funded none of that with cash at the closing of the initial sale. The seller funded it, by taking $10 million less at closing and putting another $10 million at risk on the plan. That is a better investment decision under the assumed outcome, not a free $30 million.

Sell the rollover terms to the financing sources

Consider the financing side. A disciplined entry price, so the sponsor is not defending the multiple to anyone. On a $100 million deal, 30% rollover instead of 20% removes $10 million from the equity check before anyone picks up the phone.

Better evidence of conviction, because if the people who know the company best are declining to take chips off the table, that means something. More rollover also creates additional structuring opportunities because it generally carries protections for the new money.

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The same value creation plan therefore pays twice. It helps win the company without stretching on price, and it gives the seller a reason to keep more invested. The sponsor ends up raising a smaller percentage of a smaller number.

The structuring question needs care. It benefits the sponsor but requires a candid conversation with the seller, because structure that protects incoming capital can make the retained position less attractive to the person being asked to hold more of it.

Negotiate the security, not the percentage

The number everyone negotiates is the one that tells the seller least. Thirty percent rollover is a percentage, not a security. Rollover equity can be pari passu with the buyer's security or sit behind a tier of preferred equity.

The balanced version of priority is easier to see with numbers. Assume $100 of equity value at closing, funded with $70 of new money and $30 of rollover, and give the new money a simple 1x nonparticipating preference and a 70% as-converted interest.

If equity proceeds at exit come to $80 after debt and costs, the new money takes its $70 and the rollover keeps $10 (that $20 loss is borne entirely by the rollover). If proceeds reach $200, the new money does better converting, so it takes $140 (70% of $200) and the rollover takes $60. The preference protected the downside without taking an extra share of the upside.

The cushion is funded by the rollover giving up its recovery first, all $30 of it, before the new money loses a dollar.

Participating preferred is a different bargain and leans in favor of the buyer. The same $70 takes its preference and then shares again in what is left, so at the same $200 exit it receives $70 plus 70% of $130, and the rollover receives $39 rather than $60. Same percentage, different deals. Caps, coupons, accrued returns and conversion terms move it again, and the differences can get louder when the company raises capital at a valuation nobody modeled.

Bespoke economics can run toward the seller too. Some sponsors offer a rollover holder incremental participation above an agreed exit threshold, a kicker if the deal really performs. It behaves a little like an earn-out attached to the eventual sale rather than to some period immediately following the closing. Other hybrid structures can also bridge the gap.

All of that assumes the seller is still holding the security when the exit arrives. Repurchase rights decide whether that is true, and they ask two separate questions: when can the equity be taken back, and what must the company pay for it?

A strong founder can sometimes command rollover free and clear of any repurchase right. More often, the right exists and the issue is the trigger: any separation from the business or only a bad-leaver event, meaning a termination for cause or a breach of a restrictive covenant.

Pricing is a separate negotiation from the trigger. Fair market value is the common answer, with bad-leaver events often priced at the lesser of cost and fair market value, although in some circumstances a bad-leaver-only trigger can still pay fair market value.

Separate what talent buys from what talent earns

The seller is not the only member of the ownership group deciding how much of its own money to put behind the plan. Talent has to put its money somewhere, and most of the places are passive. An index fund does not care who owns it. Some companies do. A deal-specific investment in a category-relevant company is one of the few positions in which the investor can help change the return.

That is not a reason to invest. Category fit does not repair a weak company or an undisciplined valuation, and concentration, liquidity and ordinary diligence apply with full force. But the instinct to take equity only when it is free can be shortsighted.

Incentive equity has a ceiling, and the company sets it. An issuer will grant only so much equity for services, however valuable, so a person who wants more exposure to a business worth owning generally must buy it.

In an investor-first deal, talent writes a check because the company is worth owning, and engagement follows from ownership and fit. In a contribution-first deal, talent earns incentive equity for defined services, access, appearances, introductions or activation. A hybrid does both because neither alone does the whole job.

A check evidences conviction but may not buy attention if the amount is immaterial to the person writing it. Earned equity creates accountability, and brings vesting, valuation and enforcement with it.

The hybrid also does something the documents cannot: a person who has written a real check answers the email faster, because the grant is upside and the check is money that can be lost. Sweat equity concentrates the mind. Sweat equity sitting on top of invested cash concentrates it considerably more.

What the cash buys besides percentage is the more interesting half. Incentive equity usually carries economic terms and little else.

Purchased equity is where governance, information rights, tag-along protections, preemptive rights and consent thresholds actually come into play, because the holder paid for a position rather than received one. Writing the check changes the negotiation. The documents still decide which rights come with it.

And where those checks fund part of the acquisition equity, the talent discussion rejoins the financing one: the sponsor has less capital left to find, and the people who filled the gap are the ones expected to help the plan work.

Decide who pays for the talent economics

A deal-specific vehicle can open two economic lanes. At the sponsor level, an independent sponsor can share its own economics with talent that helped source, differentiate or win the opportunity. At the company level, that same person may

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negotiate separate incentive economics for helping grow the business after closing, sometimes by asking to sit on the cap table directly rather than only inside the SPV.

Those are separate bargains with separate counterparties, and neither is owed.

Someone pays for that upside. If the sponsor funds it out of carry, promote or SPV economics, it can move without reopening the company's cap table, subject to whatever its own documents and investors require. If the company issues it, the dilution lands on the seller, the rollover holders and everyone else, and it has to be negotiated and shown before anyone quotes a fully diluted percentage.

Tax is unavoidable in any discussion of incentive equity, although other articles cover the subject in detail. For talent clients, the key questions are when and how an incentive is taxed. Being awarded a piece of a company sounds enticing until the client realizes that signing creates a significant tax liability with no additional cash to cover it.

An arrangement may be structured to defer tax until exit or qualify for capital-gain rather than ordinary-income treatment, and those are some of the earliest conversations a talent lawyer should be having.

Give every talent partner a value creation plan

The sponsor builds a value creation plan for the company. If talent partnerships are part of that plan, each talent partner needs an individual version of it. Vesting is where the individual plan becomes enforceable, and the question is what it should measure.

Time rewards continued involvement, which is not the same thing as contribution. Performance vesting tied to IRR or a multiple of invested capital sounds rigorous but, standing alone, usually asks the wrong person the wrong question. The athlete can read the same return target the sponsor reads and still have no idea which activities to prioritize. Worse, the equity can vest in full while the person does nothing and someone else drives the result.

Performance vesting fits best in talent arrangements when the result can fairly be attributed to the person measured. A return hurdle protects the investor's economics and sits alongside other conditions. It just does not establish a clear path for focusing efforts.

Activity and milestone vesting are underused because they require work before the term sheet. Someone must determine — and document — what this person can do for this company: a number of qualified commercial introductions, named retail or distribution targets, a set of appearances across a season, a product collaboration delivered by a date, agreed content.

That exercise pays for itself twice. It tells the sponsor whether the contribution is real before it issues equity against it, and it tells the talent exactly what activates the equity, which is how a passive co-owner becomes an active one. Those activities should be designed to support the return, not described as producing it.

Align the numbers, the theory, and the paper

Clients do not pursue deals because of the words. They pursue deals because of the numbers. The lawyer's job is to ensure that the words reflect and protect the bargain those numbers describe, which is why the percentage, the security, the vesting condition and the repurchase price must be read together rather than one at a time.

No document makes a plan work. A good one makes sure everyone is paid for the thing they actually agreed to do.

The best of these deals do not start with a famous name and look for a justification. They start with a company worth owning, a partner who can change its trajectory, and a structure that tells the truth about contribution, risk and rights. Decide what the person can actually do, say it in the documents, and pay for it when it happens.

The next frontier in proprietary sourcing is not finding more companies. It is building the ownership group that makes the best companies willing to transact.

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