



MAXIMIZE BUSINESS VALUE PODCAST - EPISODE 229 Transcript

0 (1s):

Welcome to the Maximize Business Value Podcast, brought to you by Mastery Partners, where our mission is to equip business owners like you to maximize your business value and achieve the exit of your dreams, whatever that means to you. With insights gained from over a hundred business transactions, we share real world strategies, lessons, and expert advice to help you build long term sustainable value in your business. Each episode is hosted by one of our mastery certified partners. They're seasoned experts who've helped countless business owners navigate the complexities of growth, scaling, and building value.

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They bring firsthand experience, actionable insights, and a passion for helping you build a business that thrives. So, let's dive in.

2 (59s):

One. Hi, this is Terry Chevalier, and welcome to Maximize Business Value, a podcast for business leaders who are passionate about building long-term sustainable value in their business. I'm really excited today because I get to have one of my friends on. I'm excited to introduce you to Dee Herman. Dee is a partner with Herman and Whitaker, his own law firm out in D.C and he's a telecommunications and technology law firm. Dee, welcome to the podcast.

3 (1m 24s):

Thank You, Terry. It's great to be here.

2 (1m 26s):

Well, great to have you here. You know, you and I have known each other for a while, but our podcast listeners don't. So maybe could you take a second to talk a little bit about your background and how you came to specialize in this particular niche?

3 (1m 39s):

Absolutely, absolutely. So we are a telecommunications law firm. As you mentioned, our clients are primarily rural service providers, broadband service providers around the, you know, entire United States, as well as other technology companies, startups, wireless ISPs, mobile cell phone providers, and cable companies. So anything that sort of touches the communications or telecommunications space and touches the FCC and touches more than likely Capitol Hill, which almost everything does these days. We have a hand in it, whether that's transactionally, whether that's regulatory stuff or anything, you know, that in between.

2 (2m 18s):

Wow, that's, that's quite a bit. That's quite a bit. And you know that that's really a very unique niche that you, you're fitting in there and so, you know, help, you know, us understand, you know, what are some of those legal services that you're providing, and you know, a lot of listeners are probably very familiar with the idea of having a general counsel, but, you know, what are the things that you're doing almost as a general counsel, but also what are those additional services that you're providing?

3 (2m 42s):

Well, so it, it is interesting. I mean, a lot, there's been lots of, and I know we'll talk about this later in the podcast, but there's been a lot of transactions happening in the communication space in general, in the telecom space, in the wireless space. So that, that's one thing. And there's also, we're living in a world of regulation and whenever there's an administration change, the regulations either, you know, come or go and come and go at the same time, depending on the party. And there's lots going on there, there's lots going on on Capitol Hill regarding all sorts of funding mechanisms for rural carriers, privacy laws, lots of different things that are happening there. So those are the sort of the services that we provide to our clients, which is, you know, just about anything that touches the space.

3 (3m 28s):

And to your point about general counsel, we also have clients who are, you know, in small areas of the country, and they ask us to do more general counsel type work, not necessarily local stuff, but stuff that a, that a lawyer would do.

2 (3m 41s):

Well, and, and, and since you are a lawyer, that that is kind of the stuff you

3 (3m 44s):

Wanted to do. That's right.

2 (3m 46s):

So, so, you know, you, you kind of opened the, the, the gates a little bit on this point. It's April, 2025. We've got all kinds of things going on. We've got tariffs, we've got interest rates, we've got all these other things. But let's talk about what are some of those challenges that you're seeing in the industry right now, you know, for your clients, you know, there's a lot of things that are going on out there, but, but really specifically, you know, what are you seeing that's very common? What, what are, what's everybody really dealing with?

3 (4m 15s):

Well, there's a couple things, and the tariffs, one of 'em is, I think is the, the, the verdict is not in on that, you know, will, will cost of bringing in materials to build fiber, to build infrastructure, price of steel, what the price of equipment is that gonna increase dramatically? Is that gonna affect the bottom line of lots of our clients? I don't think we know the answer to that yet. At the same time, a, a very large number of our clients are federally supported by something called the Universal Service Fund. The Universal Service Fund is a fee that everybody, if you have a phone, you have cell phone or you have a broadband connection, you're probably, and you live in a city or an urban area, you're probably paying into the universal service fund. And that's been under attack really, by the courts.

3 (4m 57s):

And the Supreme Court just recently heard a case whether essentially the Universal Service Fund is even constitutional. So you've got funding mechanisms here. You've also have a 40, almost \$43 billion program is happening right now in the Department of Commerce about trying to get broadband out to every individual who doesn't have broadband and meaningful broadband service specific speeds. And that's also going through a major amount of change. Right now, I think we're seeing lots of change, and I, I, obviously this is true in every industry. I think the change that we're seeing sort of globally here in the United States is unprecedented, at least in the last century. So it's, it's gonna be interesting to see how this all plays out.

2 (5m 39s):

You know, that, that's a really good point. So a lot of the things we work with our clients, we, when we conduct our, our transition readiness assessment, I mean, we're looking at the business and how sustainable is it to shock and risk and things like that. We're looking at, you mentioned like tariffs. So do you have alternative suppliers? Do

you have, do you have sources, you know, not just within or outside the US but also within the US for things, for example, working with a manufacturing client, he had been receiving a lot of his materials from overseas, so now he's looking at US based suppliers, and how does that impact this business? So, so very much a, a really challenging time. Well, so look, how, how, how do you approach that?

2 (6m 21s):

So, you know, when clients come to you and they say, Hey, I've got these kinds of issues. I mean, how do you go about addressing those and are there ways to turn any of that into actually driving value back into the business?

3 (6m 32s):

Yeah, that's a great question, Terry. I look the, every time a client calls us, it's something more than likely unique. I mean, it, it, whether it's they're looking to, you know, to, to acquire, they're looking to sell, they've got a problem, a regulatory problem. They've, they may have not understood some of the rules from the FCC, maybe they did, but they don't like the rules of the FCC. And so what we normally do is go through with them, and then we figure out the best way to approach it. Lots of times that is talking with the regulators, lots of times it's talking with people on the hill. Lots of times it's talking with local counsel or other people who are maybe part of a transaction and, and figuring out, you know, what the, what the, what the best path is. Terry, lots of times is talking to people like you, you know, who come from a very different place and, and add value that way.

3 (7m 19s):

I mean, as lawyers, we add, we, we like to think we add value. We certainly charge enough to add value, unfortunately, but, but we also know are hopefully know enough to bring in experts that are in the financial world that are sort of in, in, if they need it in the marketing world, in succession planning world, all those kinds of things to, to assist the clients in, in, in trying to accomplish whatever their goal is.

2 (7m 46s):

No, that's, that's a great point. And yeah, we, we see certainly our, our clients, you know, they need a good attorney. I mean, we've, we've always, in fact, going back to this TRA, I mean, one of the things we ask is, you know, how would you describe your, your, your legal support? Is it, is it sort of reactionary or is it somebody who's actually with you and kind of helping you in that process? Because it, it, it, to your point, we think good legal advice is actually a big point to drive value. I mean, kind of to this point, and, and again, it's one of the things I was really excited to bring you on is we

have clients across a variety of industries, not just telecom, but telecom's very heavily regulated. And there's other industries that are just as heavily regulated.

2 (8m 28s):

You take healthcare with all the things they deal with, with HIPAA compliance and, and oversight from HHS or, you know, financial services. My goodness, I thought, I thought telecom was, was heavily regulated until I saw how much the SEC gets involved in anything dealing with banks and financial services. So if I think about it, you know, how important is this issue of regulatory compliance when it comes to, you know, mergers and acquisitions and how does it affect deal value and deal likelihood and those kinds of factors?

3 (9m 1s):

Great question. So the regulated space is really, is a tough one. And to your point, it goes across all these industries. So what we're seeing right now in the federal government, of course, is major cuts in lots of agencies that do the regulating. And not only that, we've seen executive orders come out from the administration. And this is, by the way, by the way, I, I have no political view on this if you wanna know what it is, but I don't think you do. But the, the, the, the, the larger point here is that, is that you're seeing lots of, so the executive orders, for example, are saying, Hey, for every one regulation that you, that, that, that you enact, we want you to take away three regulations that you don't need. If there's a regulation that's gonna have a, a major impact, for example, on, on the cost to any company we want, we, the executive branch wanna have oversight over that.

3 (9m 48s):

And so the, the period of flux right now is really, really tough in terms of navigating, number one, where is the regulation going? Two, where are the people who work in the federal government going, are they gonna stay? Are they leaving? We've seen a lot of regulators leave. And then three more importantly, and I think this is an open question right now as sort of what is the role of congress in all this right now Congress is sort of hanging back and, and sort of seeing what happens. We're still in the first a hundred days of the administration. So what is the, the, the, is Congress going to sort of step up and say, Hey, we we need to, to, we want these agencies to do X and and, and we need to direct mandate from Congress to do that, or are they going to rely more on the executive branch and the courts to figure all that out?

3 (10m 34s):

So it is, it is, with, with all these regulated industries, it is really a time right now to be proactive. But also I think if you become reactive in that sense, it's gonna be very difficult to to, to keep up.

2 (10m 46s):

That's a great point. I mean, how, you know, I can't even imagine if, if you're an owner in one of these regulated industries and you're saying, okay, we're we're getting a new regulation, but I'm losing, you know, three others trying to keep up. Right. You know, I mean, that's gotta be really challenging for people to try to do that, you know, without any sort of advice.

3 (11m 6s):

It is. I mean the, the FCC for example, this is an example, has a ongoing proceeding that they've called delete, delete, delete. And it's essentially trying to get rid of, you know, un needed regulations. And look, there are a lot of regulations that probably aren't necessary anymore that are outdated. There are regulations that, that, that hurt companies like our, our clients, our small clients, because you know, they have to jump through lots of hoops that are expensive. They, they sometimes need a consultant, they need a lawyer, they don't wanna have to do all those kinds of things. So it, the FCC as they, they go and all these agencies now as they undertake, how do we navigate through these regulations? It's going to have major changes. Our concern for our particular clients in some cases though, is that in some cases, the less regulation there is, it may be good for smaller companies.

3 (11m 54s):

It also may be maybe a vehicle for larger companies or other companies that may not have the best interest of the industry at heart to sort of run rough shot over the industry. Right?

2 (12m 6s):

Yeah. And, and, and you know, that dynamic, if you were a small business owner trying to compete against, you know, a lot of these big companies, I mean, they, they deal with this all the time. And again, that's, that's across industry. So yeah, it does seem like there's a lot of changes out there. Well, well look, speaking of just, you know, the mergers and acquisitions activity, you know, what are some of the, the trends you're seeing in, in telecom and tech sectors when it comes to transactions themselves? Or is there anything sort of, you mentioned before you're, you're seeing some, so, so what's going on out there?

3 (12m 37s):

Well, so there's obviously still major consolidation that's happening with the largest companies. Obviously you're, you're seeing US cellular sell off its assets, T-Mobile and, and some to Verizon. You're seeing T-Mobile engage in, in lots of acquisition of spectrum, for example, on the, on the broadband, especially on the fiber broadband side, we're also seeing a lot of more strategic acquisitions in areas that are adjacent to broadband companies and where they are now. And again, when I say broadband companies, a lot of these companies, a lot of our clients used to be, and still are a provider of voice service, but they are incumbent telephone companies in very specific areas. And as they look now to sort of get, grow their business, they're looking at very strategic acquisitions in places where if, if they're something they can buy that they don't have to build themselves and even better, you know, borrow money or use federal money to do it, they're gonna, they're gonna go out and do that.

3 (13m 33s):

So we're seeing a lot of transactions, and I would say particularly on the buy side and not as much on the sell side, meaning our clients who are smaller companies are really going out and, and buying assets that maybe a larger company has that they don't want or doesn't make sense for them strategically.

2 (13m 53s):

That, that's a great point, and I think that's a great strategy for, for a lot of business owners is, you know, if you've, if you've built this position, you don't necessarily have to build value to sell, you can build value in your business, which opens up these options, options of acquisitions, you're saying. So I think that's a great example. You know, maybe there's something that somebody else doesn't want, but it strategically value for you, gives you access to a new market, gives you access to a new set of customers. So that's really interesting. When, when you think about, let, let's just kind of take this point of an m and a deal and thinking about the legal issues.

2 (14m 33s):

When we work with clients, a lot of times we're, we're looking at what are all the potential legal issues that we would need to be aware of if you were trying to do a transaction. So what does that look like in your space? So what are those sort of things that you look at when you first go through?

3 (14m 50s):

It's funny because lawyers are, you know, obviously notorious for over lawyering, right? I mean, they, you know, we, the the client will call and say, all right, we wanna make this

acquisition and we just don't want anything to go wrong and we wanna make sure that we're getting, we're, we're gonna pay X millions of dollars for it and we wanna make sure at the end of this it, it goes through, right? So that's, that's the first thing. And then the, and then they say, okay, now we don't want you to over lawyer this, right? And like, well, okay, you can't do it both ways. You can either say, well, we want to make sure you're protected, but we obviously don't want to, you know, depending on the size of the deal and what the deal is and, and who they're working with, you don't want it to be a mountain of pages that, that end up being unnecessary.

3 (15m 35s):

So there is a fine line there. I would say that that mostly with, with, with these transactions, what we're looking at is what's there, you know, we do a lot of the work on the diligence obviously to make sure that, you know, whatever is is there, is actually there. And lots of times if you're buying an older company or an older system, you're not necessarily gonna know the, and the people who who are selling it may not even know exactly what they have. So there's a little bit of a leap of faith there. There's some business decisions that have to be made, you know, there from a legal perspective too, you know, the, the larger things are, are reps and warranties in, in these transactions because you just don't want to get into a situation where once you buy something, you don't know what you have and they didn't tell you at least, oh no, this is what we think it is.

3 (16m 23s):

And then the third part, Terry, is really the regulatory side and getting it through, you know, is this a transaction that is going to pass the muster at the FCC is a transaction that has to go through the Department of Justice? Are there foreign ownership concerns? And those kinds of things are happening. One, one thing we've seen recently at the FCC is this idea that, hey, if you are doing business with a company and they have a very large or any DEI program, the new chairman of the FCC has essentially said, we're gonna not allow transactions to go through for, you know, if there's DEI involved, that's their prerogative. They can do that, they can do that. I guess legally they can do that. But the same would be true for anything. And I think as we see the government sort of change and we are seeing, you know, new people get into different positions in the government, there's gonna be other conditions that are gonna be put on lots of these transactions.

3 (17m 13s):

And the question is gonna be what, how are they gonna look? How do we deal with it? And, and then, you know, is that something that you can live with as a buyer or seller?

2 (17m 21s):

Yeah, yeah, I know, I think those are, that that's a really good point. You know, and I think a lot of people, when you're thinking about transaction, you're not thinking about, hey, is there some sort of government approval, some sort of government position on it. I mean, I believe, and correct me if I'm wrong, I mean, if, if you take for example, federal money, the, the government could have a lien on some of the assets that you have and they could be party to the transaction. Is that

3 (17m 45s):

That? That's correct. And, and look, If you take federal money, in some cases, you're, you're gonna be subject to a higher level of scrutiny, not only sort of on the backside of the accounting and how that accounting's gonna work, but, but if you've got a loan with the federal government, if you've got a loan or a loan with a bank, you know, the, the, those questions always come into play about how do we transfer this? Who's, who has, who has a lien, who has the, the a a title on these assets? You know, what, what do we have to do to get rid of those? Are those things gonna get paid off? We've seen a lot of transactions recently with small business loans and the question says, okay, well look, these small business loans lots of times have a, a, a rider and then the, hey, you can't sell, and if you do sell, you gotta go to the SB and get approval or you pay it off.

3 (18m 28s):

Then there's a question that comes up about, well, if you, how do you pay it off? If I own, if I, if I'm in a \$10 million deal, I owe \$3 million to the SBA, how do I pay that off before I get my money? Right? So there's lots of those kinds of nuances and there's so much money since the pandemic either that's been borrowed or, or granted to providers, not only in the telecom space, but in lots of space. And the question is, how do those interact and play out with regard to the transaction and any kind of other regulatory approval you may need.

2 (19m 1s):

Wow. Wow. Yeah, I, I mean, deal terms, that's probably one of the things everybody gets focused on the deal in terms of like, what's the price? But no one pay pays attention to the terms, the terms are what really drive your value. You know, are you gonna get paid? Are you not gonna get paid? When are you gonna get paid? One of the things, you know, we've seen a lot more of earnouts and earnout for listeners is if you know the, the, the, the buyers thinks there's some risk in the business and says, look, you're gonna, I'm going to hold back a portion of that amount that I'm gonna pay you

subject to you, meaning some sort of milestones. And by the way, I'm taking control of your business, so you may not have as much control to meet those milestones.

2 (19m 43s):

So it's a, it's a lot bigger risk out there. So terms and, and having a good attorney really makes a big difference in, in getting the right terms in place. Yeah,

3 (19m 50s):

I I, I think, I think that's right. And I think part of the other, the other part, Terry, is that, you know, that we've seen a lot of deals that are sort of being financed now and not financed necessarily through a bank, but being, you know, self-finance where the, the terms are, we're gonna pay you X amount over four years. And those are where it gets really tricky too, because, you know, you obviously in that situation have to make sure that, that the deal's right, and that, that you've got all the other legal documents in place that, that you to make sure you're actually going to get your money right. You know, it's one thing to close on the transaction and get the first payment, but you get to year three and you're not getting your money anymore. Sure you might get the business back. Well, what state is the business gonna be in at that point?

2 (20m 28s):

Yeah, that makes a lot of sense. You know, as you

3 (20m 32s):

Look,

2 (20m 33s):

As you kind of think about this stepping back and, and again, this is around, you know, how do we maximize value? So what, what kind of strategies do you think companies who are looking to either sell or expand through acquisitions, what, how can they actually position themselves to drive the best value that they can, best terms, you know, in any sort of exit?

3 (20m 52s):

I think it, it always starts with the plan, right? What is the plan? And, and that's, you know, we even do that obviously at our firm, and it's not always easy, right? But it is, okay, where, what are we gonna be doing a year from now? Who are we gonna be serving a year from now? What are our clients gonna look like a year from now? What, what's our customer base in this area gonna look like? You know, is there, is there an economic growth here or is there major economic hardship in a place where, you know,

expanding doesn't really do any good? So number one would be what is the plan? And then number two is how do we execute that plan either by selling assets or buying assets, and can we afford to do that? And that's always the case. I think there are, I, I think we're gonna see in, in all industries, certainly in, in, for a lot of rural broadband providers, a significant amount of consolidation.

3 (21m 40s):

And we've been saying this for years and years and years, it hasn't come about quite yet. And one of the reasons it hasn't come about is partly the universal service fund. Partly, you know, the, the broadband funding, partly the, the grants and the, and the other loan programs that have been made available by the federal government. But at some point when these networks are built, then the question is, what do you do with a mature network? How do you continue to run it? Do you grow, do you not? How, what, what is that plan? And I think that lots of times for, for, for smaller companies figuring out what that plan is, it seems obvious, but it really isn't. It really is very difficult to do. Not not that you're necessarily gonna call a lawyer, they're gonna call somebody like you and say, okay, look, this is where we wanna be.

3 (22m 24s):

But I would imagine that you get lots of calls about, Hey, we don't even really know where we want to be. We just know we need to do something. Right? Right. Yeah.

2 (22m 32s):

Yeah. I I I think that that, well, yeah, thanks. But that point I agree. I mean, we, we obviously see a lot of, of situations where people, you know, let, let's say, let's take your example, you're seeing a big industry trend in, in of consolidation. Well, that's not limited to telecom. You may be a listener may be in an, an industry that is seeing a level of consolidation. So how do you position yourself, what do you want out of this? And so understanding where you want to go is incredibly important to that, but not just where you want as a business, but what do you personally want? And so, and what does that look like for you? What does that look like for your family? What does that look like for your employees? Because if you can actually get a good picture of that and then really understand where you are, such as we do through our, our transition readiness assessment, then you can actually craft a plan that's gonna get you there and bringing in, you know, you know, attorneys and CPAs and the team that you're going to need around you in order to make that happen.

3 (23m 30s):

Absolutely. Absolutely. I mean, we had a client recently who just acquired a few non-regulated businesses, and what they did was they looked in the market and they said, Hey, there are four or five of these providers here that, that do the, sort of the same thing with offering services in the area. And we think if we could consolidate those and we could run it, and, you know, within our county and within our two or three county area, it makes more sense. So in that case, it's a win-win. These are businesses that are being run by maybe, you know, families that were older, there's no succession plan. And it made sense for us to, to, for our client to go in and say, okay, look, we, we wanna, we wanna buy you all, we want you to still work for the company for a period of time. We're gonna merge all these companies together, and eventually we're gonna take over this as, as, as a service because it's a service that no, that, that's really critical to our business, even though it's not exactly a competitor in our business.

3 (24m 19s):

They're not. Yeah. Right.

2 (24m 21s):

Yeah, no, that's a very interesting point. And yeah, and I think that underscores again, the importance. You know, one of the things I hear a lot about these days is you mentioned succession plan. I'm hearing a lot of need for succession planning that we've got a aging both in terms of our workforce as well as our ownership structure. And, and again, this is a very common theme. If you're a boomer, you're trying to think about, you know, what is that next thing look like? And so having a clear succession plan actually is a big way to drive value because as you're, as you're noting for, if you're a buyer and you come into to a business, you want to know there's a, a succession plan so that if that owner disappears after the transaction's over, the business is still gonna run, right?

2 (25m 3s):

So if you don't have a succession plan, that's actually a detriment to creating value.

3 (25m 8s):

That's really interesting. That's a really good point. Yeah, it's a really good point. Well, Terry, I'm learning, I'm learning from you on this podcast.

2 (25m 16s):

Thanks, Steve. Well, look, I, I mean, with that, so I've got one last question and, and we've said it before, you know, so this podcast is all about maximizing business value,

and we ask this to all of our podcast guests. So what's the one most important thing you recommend business owners do to build value in their business?

3 (25m 33s):

I think the first, the, the most important thing I'll give, I'll try to give you a very short answer on this. The most important thing is understanding what you do and staying in your lane to do it right? So in, in some cases, for, for lawyers, you know, we like to be trusted advisors, right? We could be everything to all people. You know, if someone called and said, Hey, you know, I'm, I'm looking to import plastics, you know, can you help me? That's not what we do, right? We don't do that. We could find somebody who does. But, but knowing what you do and, and focusing on that and being that trusted advisor to your clients or to your customers and doing it well, and building the trust there is really the thing that fit for, in my opinion, brings real value to the business.

2 (26m 19s):

That's a great point. Yeah. And so I love that having clarity around sort of what makes you unique and what's your unique selling position, and who are you targeting and what the product is. I think that's a great point. Well, well, Dee, thank you so much. Thanks for sharing your insights and experiences with us today. This is the Maximize Business Value Podcast where we give practical advice to business owners on how to build long term sustainable value in your business. Be sure to tune in each week and subscribe to our channel so you won't miss a single episode. See you next week.

0 (26m 50s):

Thanks for joining us for another episode of the Maximize Business Value Podcast. I hope today's conversation sparked new ideas on how you can continue driving value in your business. But remember, it's not just about listening, it's about taking massive action. Visit our website masterypartners.com for more resources. Grab a copy of any of the books in the Maximize Business Value series on Amazon or via the links below, and don't hesitate to reach out if you want to know how to apply these concepts to your business.

0 (27m 31s):

So until next time, I'm Tom Bronson reminding you to relentlessly execute while you maximize Business Value.