VERITAS MANAGEMENT GROUP

The Financial Blind Spot

What Every Attorney Advising $5–50 Million Companies Should Know Before the Deal, the Dispute, or the Exit

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A Note on the Stories in This Book

The situations described in this book are composites, drawn from patterns I have seen repeat across many engagements with owner-led companies. Names, industries, and identifying details have been changed or blended. No story in this book describes one real client or one real matter. The financial patterns, however, are real, and I have watched each of them play out more than once.

This book is not legal advice, and nothing in it should be read as a substitute for the judgment of the attorneys who read it. It is written by a CFO, for the advisors who sit next to CFOs at the table, so that the numbers stop being the part of the deal nobody wants to own.

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1. Why I Wrote This for You, Not Your Client

Most books about business finance are written for the business owner. This one isn't.

I run an outsourced CFO firm. We work with owner-led companies between roughly five and fifty million dollars in revenue — the range where a business has clearly outgrown its bookkeeper, but a full-time CFO is still a six-figure bet the owner isn't ready to make. That gap is where I live. And in almost every engagement I've taken on in that gap, an attorney was already involved before I ever got the call.

A deal that stalled in diligence. A partnership that soured over money nobody had actually agreed on. An estate plan built around a valuation nobody trusted. A lender who wanted covenants the business couldn't actually track. In every one of those situations, the attorney in the room saw the financial problem first — often months before it became a crisis, and usually before the client would admit it existed.

You are, more often than any accountant, the first professional to notice that a client's financial picture doesn't hold up. You just don't always have anywhere to send that observation. This book is my attempt to close that gap: what to look for, what it usually means, and what a fractional CFO actually does about it once you hand it over.

I am not asking you to become a financial analyst. I am asking you to trust your instinct when something about a client's numbers feels thin, and to know what your options are when it does.

2. The Moment You've Already Seen a Dozen Times

You know this moment. You're deep into a transaction, a dispute, or an estate matter, and you ask for financials, and what comes back doesn't match what the client has been telling you verbally. Or it matches, but nobody can explain the assumptions behind it. Or the numbers are internally inconsistent — the P&L tells one story, the tax return tells another, and the owner's mental model of the business tells a third.

This is not a rare event. In owner-led companies between five and fifty million, it is closer to the default state. The business grew faster than its financial infrastructure. The owner is excellent at the thing that makes the company money — manufacturing, services, distribution, whatever it is — and has been running finance on instinct, a part-time bookkeeper, and a CPA who shows up once a year for the tax return.

That works, more or less, until it doesn't. It doesn't work the moment real money is on the line in a way that requires someone else to trust the numbers: a buyer's diligence team, a lender's credit committee, a departing partner's own counsel, a probate court.

When that moment arrives, you are the one holding the file. And you are often the one who has to explain to a client, gently, that the numbers they've been running the business on for ten years are not going to survive contact with outside scrutiny.

The purpose of this book is to help you recognize that moment earlier — ideally months before it becomes urgent — and to give you a clear next step when you see it.

3. What "Outgrown the Bookkeeper" Actually Looks Like

"Outgrown the bookkeeper" is a phrase I use constantly, so it's worth being precise about what it means in practice, because it rarely looks dramatic from the outside.

It looks like a business with real revenue and a P&L that's accurate at the top line and vague everywhere below it. It looks like inventory or work-in-progress that's tracked in a spreadsheet nobody fully trusts. It looks like the owner knowing, with total confidence, whether business is good or bad this month — based on the bank balance, not the income statement. It looks like a controller or bookkeeper who is diligent and hardworking but was never trained to build the kind of reporting a lender, buyer, or court will actually rely on.

None of this means the business is in trouble. Some of the healthiest, most profitable companies I've worked with had exactly this profile. The problem isn't that the business is badly run. The problem is that the financial function was built to answer "are we okay," not "can I prove we're okay to someone who has never met you."

That second question is the one that shows up in your world. A buyer's diligence team doesn't want to hear that the owner has a feel for the business. A lender's covenant test doesn't accept a spreadsheet with three tabs and no version control. A judge dividing marital or partnership assets doesn't want an owner's opinion of what the company is worth.

When you see a client whose financial function has never been asked that second question, you are looking at exposure — not fraud, not incompetence, just an untested system about to be tested for the first time, usually in the worst possible circumstances, which is under deadline and under your name.

4. Five Financial Red Flags No Attorney Should Wave Through

You don't need a finance background to catch these. You need to know they're worth a second question before the deal, filing, or agreement moves forward.

First: the client can't produce a current balance sheet, only a P&L. A profit and loss statement tells you whether the business made money. It tells you almost nothing about what the business owns, owes, or is actually worth. If a balance sheet doesn't exist or hasn't been reconciled in months, treat every number you've been given as provisional.

Second: owner compensation and personal expenses run through the business in ways nobody can cleanly separate. This is extremely common in owner-led companies and isn't inherently improper, but it makes true profitability impossible to state with confidence — which becomes a real problem in a sale, a divorce, or a partner buyout, where "true" earnings drive the number everyone is arguing about.

Third: the numbers you're given verbally don't match the numbers on paper, and nobody can explain the gap. This is the single clearest signal that the financial function is not being trusted even by the person running the company.

Fourth: there is no controller or bookkeeper who can answer a direct question about a number without checking with the owner first. That means one person holds the entire financial picture in their head, which is a single point of failure in any transaction with a timeline.

Fifth: the business has grown revenue significantly in the last two to three years, but the finance function looks the same as it did when the company was a third the size. Growth outruns infrastructure quietly, and by the time it's visible in a deal or dispute, it's already expensive to fix under pressure.

None of these five things should stop a matter from moving forward. But each one is worth naming out loud, early, so the client isn't discovering it during diligence week.

5. The Deal That Almost Died in Diligence

A manufacturing company, family-owned, roughly eighteen million in revenue, had a signed letter of intent with a strategic buyer. The owner's attorney had done excellent work on the deal terms. Nobody had looked closely at whether the financial statements would survive diligence.

They didn't, not cleanly. The company's reported EBITDA depended on add-backs the owner considered obvious and the buyer's diligence team considered aggressive: personal vehicles, family members on payroll in loosely defined roles, a facility lease to a related entity at a rate nobody could justify with a market comparison. None of it was fraud. All of it was normal for a business run the way this one had been run for twenty years. But every one of those items became a negotiating point, and the buyer used the uncertainty to push the valuation down, not up.

By the time we were brought in, three weeks before closing, the deal was still alive but the price had already moved against the seller by roughly eight percent, and the buyer's team had lost confidence in the numbers generally, which is worse than any single line item.

We spent those three weeks doing what should have been done six months earlier: rebuilding a clean, defensible EBITDA bridge, documenting every add-back with actual support, and giving the seller's attorney a set of numbers he could stand behind in the room instead of a set of numbers he had to hope nobody pushed on too hard.

The deal closed. The price never fully recovered from that early loss of confidence. If a CFO had been engaged when the letter of intent was signed, not when the buyer's diligence team started asking pointed questions, that eight percent almost certainly stays with the seller.

The lesson for you as counsel isn't that you should have caught the EBITDA issue yourself. It's that the moment a deal has real financial complexity — related-party transactions, owner add-backs, anything that requires a story to explain a number — is the moment to ask whether the client's numbers have been pressure-tested by someone other than the person who built them.

6. The Partnership Dispute Nobody Priced Correctly

Two partners, roughly even ownership, building a services business together for a decade. One wanted out. The buy-sell agreement — well drafted, properly executed — called for a valuation based on a formula tied to trailing EBITDA.

The formula was fine. The EBITDA underneath it wasn't reliable. Neither partner had insisted on clean, GAAP-consistent financials during the good years, because why would you, when everyone trusts each other and the business is doing fine. The moment trust broke down over the exit terms, both sides' attorneys needed a number neither side's bookkeeping could actually support.

What followed was eight months of dueling financial narratives, each partner's camp adjusting the same underlying numbers to tell a different story, both technically defensible, both self-serving. That is an expensive, slow way to resolve a dispute, and it is avoidable.

The fix isn't glamorous: a buy-sell agreement is only as good as the financial function that has to produce the number it's based on. If the underlying books have never been maintained to a standard that would survive a dispute, the formula in the agreement is a promise the business can't keep.

When you're drafting or reviewing a partnership or buy-sell agreement now, it's worth asking one direct question: if this triggers in five years, do the company's books today support the valuation mechanism you're writing? If the honest answer is "probably not," that's a conversation worth having with the client before it's a dispute, not during one.

7. Estate and Succession Plans Built on Guesses

Estate and succession planning for a business owner runs on one number more than any other: what the business is worth. Every gifting strategy, every trust structure, every buy-sell funding mechanism assumes a valuation that someone, eventually, has to defend.

I've seen succession plans built years in advance around a valuation the owner pulled from a rule of thumb — a multiple they heard at an industry conference, applied to a revenue number that was never adjusted for the owner's own compensation or the business's actual risk profile. The plan gets executed. The documents get signed. And then, at transition or at death, the real valuation — the one an appraiser or the IRS actually produces — lands nowhere near the number the whole plan was built around.

That gap doesn't just create a tax problem. It can unravel the entire structure the estate plan was built on, because trusts were funded, gifts were made, and buy-sell insurance was sized against a number that turned out to be fiction.

This is entirely preventable, and it's cheap to prevent relative to what it costs to fix. A business's financials should be clean enough, and its ownership structure and related-party arrangements documented well enough, that a valuation done today would hold up to scrutiny in five or ten years. That's a finance function question, not a legal drafting question, but it directly determines whether the legal drafting will hold.

8. What a Fractional CFO Actually Does

"CFO" gets used loosely, so it's worth being specific. A fractional or outsourced CFO, done properly, is not a bookkeeper and not simply a more expensive accountant. The role sits above day-to-day bookkeeping and does four things a $5–50 million company almost never has in-house: builds financial statements that are accurate and defensible, not just filed; produces forward-looking cash flow and scenario planning, not just historical reporting; sits with the owner as a strategic partner on pricing, growth, and capital decisions; and prepares the business's numbers to survive outside scrutiny — a buyer, a lender, a court, an appraiser — before that scrutiny arrives.

At Veritas, we typically staff this as a small team rather than one person: a CFO advisor for strategy and the owner relationship, a controller who owns the accuracy of the monthly close, and one or two accountants doing the production work. That structure matters because it means the financial function doesn't depend on one person's memory or availability — the exact single-point-of-failure problem I described in Chapter 4.

The engagement is not permanent overhead at full-time-CFO cost. It's structured so the client gets CFO-level judgment and controller-level accuracy at a fraction of what a full-time hire would cost, and it can scale up or down as the business's needs change.

For your purposes as counsel, the practical value is this: once a company has this kind of finance function in place, the numbers you're handed for a deal, a dispute, or a filing are numbers you can trust without having to independently verify them yourself. That changes what you can move on and how fast.

9. How to Bring a CFO In Without Losing the Relationship

Attorneys are sometimes reluctant to suggest a client bring in outside financial help, out of a reasonable concern: it can read as "your lawyer thinks something's wrong with you," or it can feel like ceding the trusted-advisor seat to someone else.

In practice, it works the opposite way when it's framed correctly. You are not handing off the relationship. You're bringing in a specialist the way you'd bring in local counsel or an expert witness — someone who makes your work stronger, not someone who replaces it.

The framing that works: "I want the numbers on this to be bulletproof before we move forward, and that's not my expertise or yours — it's a CFO's. I know someone who does exactly this for companies your size." That sentence protects the client, protects the deal or matter, and protects your position as the person who saw the risk early and managed it.

It also, quietly, protects you. An attorney who moves a deal or a filing forward on financials that later fall apart under scrutiny owns some of that outcome in the client's mind, whether or not it's fair. Flagging the issue and bringing in the right specialist is the version of this story where you're the one who caught it.

10. The Financial X-Ray: A Simple First Step

You don't need to commit a client to a full CFO engagement to test whether their numbers hold up. That's why we built something smaller and faster: the Financial X-Ray, a fixed-scope review of a company's last twelve months of financials.

It answers three questions directly: where is cash actually going, and where is it leaking. What would this business's numbers look like to a buyer, a lender, or an appraiser today, as they stand. And what are the two or three things that, fixed now, would remove the most risk before a deal, dispute, or transition arrives.

It's scoped to be fast and low-commitment, which makes it easy to suggest to a client without it feeling like a major financial undertaking. For you, it's a clean way to close the gap between "I have a bad feeling about these numbers" and an actual, specific answer you can act on.

If you have a client where any of the patterns in this book feel familiar, that's the conversation worth having before the deal, the deadline, or the dispute forces it.

Conclusion — The Partnership Model

I called this book The Financial Blind Spot because that's what it is for most owner-led companies — not a flaw, not mismanagement, just an area nobody built the infrastructure to see clearly, because until recently nobody needed to.

You are usually the first professional in a position to notice it. Not because it's your job to audit a client's books, but because your work — the deal, the dispute, the plan — is the first time those books have to hold up to someone outside the family.

I don't think of a fractional CFO as competing with the advisors already around the table. The strongest engagements I've run have been genuine partnerships with the attorney, the CPA, and the banker already in the client's corner — each of us doing the part only we can do, all of us protecting the same client.

If this book made you think of a specific client, that's the point. Reach out. I'd rather have that conversation before the deal falls apart than after.

Appendix — Quick-Reference Checklist for Attorneys

Before a deal, dispute, or filing that leans on a client's financials, run through this list.

1. Can the client produce a current, reconciled balance sheet — not just a P&L?
2. Do the verbal numbers the client gives you match what's on paper? If not, why?
3. Are there related-party transactions, owner add-backs, or personal expenses running through the business that would need to be explained to an outside party?
4. Is there more than one person who can answer detailed financial questions without checking with the owner first?
5. Has revenue grown significantly faster than the finance function has matured?
6. If a valuation mechanism (buy-sell, estate plan, deal terms) depends on today's books, would those books support it under real scrutiny?
7. Has anyone outside the company — a lender, a buyer, an appraiser — ever actually tested these numbers, or has this business only ever had to satisfy itself?

If two or more of these raise a flag, it's worth a conversation before the transaction timeline forces one.

About Veritas Management Group

Veritas Management Group is an outsourced finance department for owner-led companies from $5 million to $100 million+ in revenue. We provide CFO-level strategy, controller-level accuracy, and the reporting infrastructure to survive a deal, a dispute, or a transition — without the cost of a full-time executive team.

Gui Albergaria is Founder & CEO of Veritas Management Group. He served as an in-house CFO before founding Veritas and has worked with owner-led businesses across manufacturing, healthcare, law, construction, services, and distribution. He is a member of the Alliance of Independent CFO Consultants.

To start with a Financial X-Ray, or to talk through a specific client situation, visit veritasmggroup.com.