

BEST PRACTICES WEBINAR

BUSINESS SALE DEAL STRUCTURE: WHY IT MATTERS



A man in a dark suit, light blue shirt, and dark tie is shown from the chest up. He is holding two large, light blue puzzle pieces in his hands, one above the other, as if they are about to be put together. The background is a dark red gradient.

In This Seminar

- Introductions
- Legal Structure
- Working Capital Structure
- Financial Structure
- Ongoing Liability Structure
- Purchase Price Allocation Structure
- Summary
- Your Questions

Jim Kahrs

- >39 Years in Business Systems
- Started Prosperity Plus in 2001
- Achieve Your Goals by Improving Profit, Cash Flow & Growth
- M&A, Valuations, Succession Planning
(More than 375 transactions)
- Marketing Programs
- Consulting based on Experience + highly successful Hubbard® Management System & Value Builder System®



Why Structure Matters

- Tax implications
- Risk factors
- Payment timing
- Peace of mind



Legal Deal Structure

- Asset vs. Stock purchase.
- Corporate structure can have a significant impact.
- Acquired vs. Excluded assets and liabilities.
- Cash-free, Debt-free meaning.

Working Capital Structure

- Purpose is to allow the business to continue normal operations during due diligence.
- Properly manages the competing interests of the buyer and seller when dealing with numbers that change daily.
- Defined differently in every deal.

Financial Structure

- Payment structure has tax and risk implications
- Cash
- Seller Note
- Earnouts
- Employee vs. Consultant

Ongoing Liability Structure

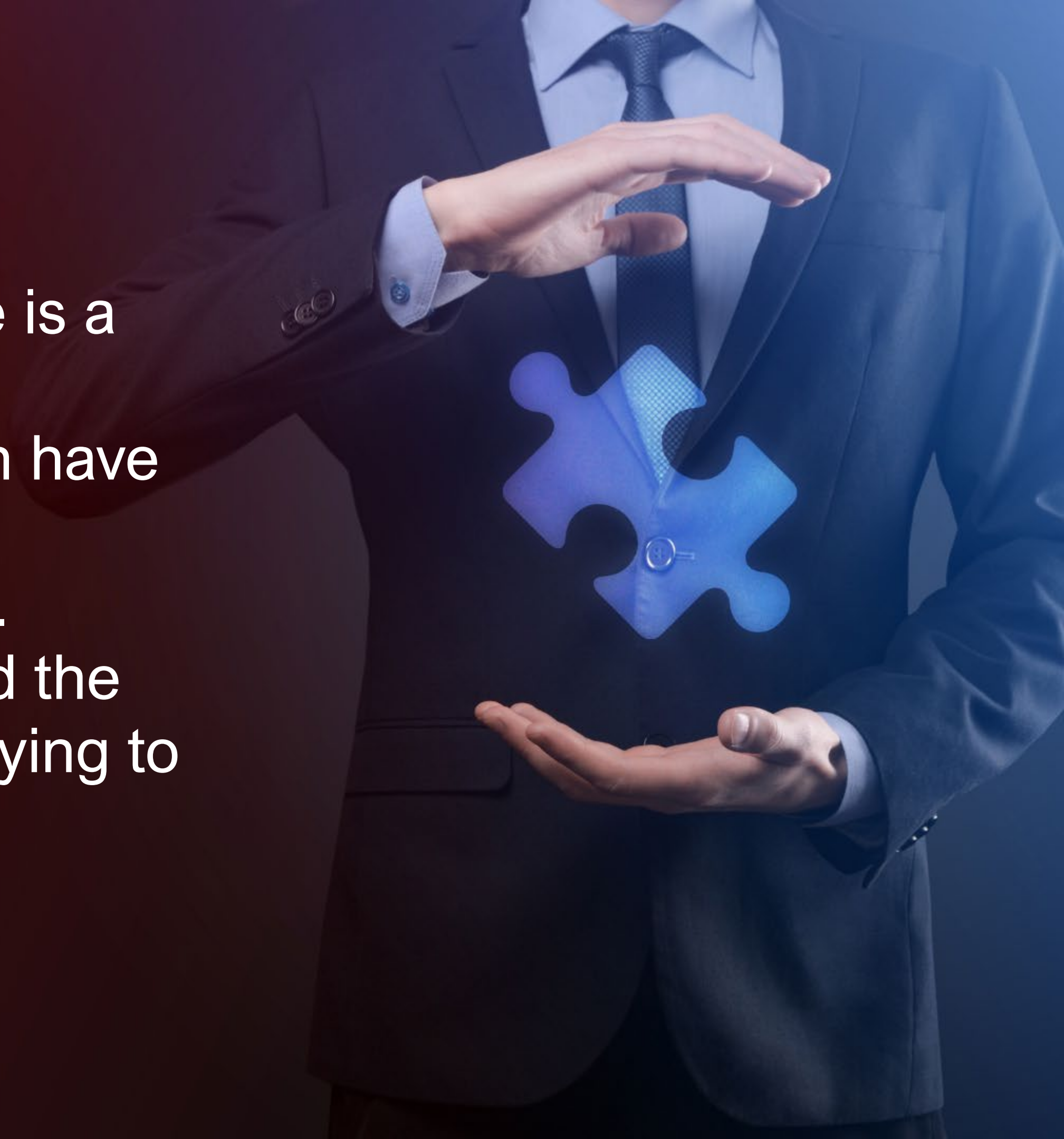
- Representations and Warranties
- Indemnification Process
 - Survival period
 - Liability cap
 - Threshold/Basket

Purchase Price Allocation Structure

- Asset purchases require agreement on how the purchase price will be allocated for tax purposes.
- Both sides file IRS Form 8594. They must match.
- Competing tax interests.
- Missteps here lead to increases in transaction related taxes.

Summary

- A business sale or purchase is a very technical process.
- How a deal is structured can have far reaching consequences.
- Missteps here can be costly.
- Be sure you fully understand the process and what you are trying to accomplish.



Next One: 7.16.26



BEST PRACTICES WEBINAR

REWARD RIGHT: EFFECTIVE INCENTIVE PLANS FOR ADMIN/SERVICE



PROSPERITY PLUS



Questions?



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