FREEDOM
FOR FOUNDERS

CASE STUDY · BUYING A BUSINESS

How a growing company acquired a smaller business in its industry.

A complicated first offer was replaced with a simple, standard deal that the buyer and the sellers were both able to sign.

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AT A GLANCE

The buyer	A growing company, advised by Freedom for Founders
The business	A smaller manufacturer whose products the buyer's customers already used
What was bought	The whole company, plus money the owners had lent to it
How it was paid	A deposit, cash on closing day, and the rest paid over time
The result	A simple agreement, signed by both sides

THE SITUATION

An opportunity to grow through an acquisition.

The buyer's customers were already using products made by a smaller company in the same industry. Acquiring that company would let the buyer make those products itself and offer its customers more in one place.

The owners of the smaller company were open to selling. The challenge was to set up a deal that was fair, that a lender would support, and that both sides understood.

THE PROBLEM

The first offer had too many moving parts.

The first plan for the deal came in stages. The stock on hand would be priced by a formula. The price of the company would depend on future sales. Payments would be spread out monthly over several years, and would rise or fall if sales changed. The plan even included a way to undo the deal if it did not work out.

Each of those pieces was something to measure, track and possibly dispute later. That made the deal hard for the buyer to borrow against, and hard for the sellers to rely on.

> *The more moving parts a deal has, the more ways it can go wrong after closing.*

THE PROCESS

How the deal reached a signed agreement.

The numbers were checked. Freedom for Founders reviewed what the business actually sold, how much it earned on each sale, and several years of its purchases from suppliers.

The structure was simplified. Instead of a price tied to future sales, the buyer purchased the whole company for a fixed price. Any debt the company owed was taken off that price. A few small adjustments were made on closing day, so the price matched the business as it stood that day.

The owners' loan was included. Over the years, the owners had lent money to their own company. The buyer purchased that loan as well, so the owners were repaid as part of the deal.

The agreement was finalized. The sellers' lawyer reviewed the agreement and requested changes. The draft went back and forth until both sides were ready to sign.

THE STRUCTURE

The price was paid in three parts.

- **A deposit**, held by the sellers' lawyer until closing day.
- **Cash on closing day**, covering more than half of the price.
- **The balance, paid over time.** The sellers lent this part of the price to the buyer, to be repaid in instalments. This is known as a seller note. It came with guarantees, so the sellers were protected if payments stopped.

Any money the company owed was paid off from the price on closing day, so the buyer started with a business free of debt.

> *Paying part of the price over time makes a deal easier to finance, and keeps the sellers invested in a smooth handover.*

THE RESULT

Both sides signed the agreement.

The buyer gained a business that fits alongside its own, through a deal both sides understood from the start.

For the sellers, the simpler structure meant most of the money on closing day, and a price that did not depend on future sales they would no longer control.

LESSONS FOR BUYERS

Five takeaways from this deal.

- **Simple structures hold up better.** Every formula and stage is another point to measure and potentially dispute later.
- **Price should rest on verified records.** The price here was based on records that had been reviewed, not on sales that had not happened yet.
- **A seller note can share the risk.** Paying part of the price over time eases financing and keeps the seller involved in the handover.
- **Debt is best cleared at closing.** Paying off company debt from the price lets the buyer start with a clean business.
- **A standard agreement moves faster.** A clean, familiar draft is quicker for both sides' lawyers to review.

ABOUT THIS CASE STUDY

This case study is based on a real transaction. Names, places and numbers have been left out, and some details changed, so that no one involved can be identified. It is general information, not legal, tax or financial advice. Every business and every transaction is different, and past results do not guarantee future ones.

Questions about buying a business can be sent to the Freedom for Founders team at **freedomforfounders.com/contact**.

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