

## FREE PREVIEW

20 pages of the full 306-page guide - not the paid edition

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### FREE SAMPLE CHAPTER

BARATELLI INSTITUTE - PRACTITIONER GUIDE SERIES

# The Business Buyer's Guide

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*Search - Diligence - Finance - Operate*

#### SAMPLE CHAPTER IN THIS PREVIEW

Chapter 4 -- Negotiating the Deal (LOI + Working Capital + Asset vs Stock)

20-page preview - drawn from the 306-page full guide

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### BARATELLI INSTITUTE

Founded by Philip A. Baratelli, CPA, MBA

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MENTORING AT SCALE

## ABOUT THIS FREE PREVIEW

# The Business Buyer's Guide, Free Preview

The Business Buyer's Guide is a 306-page practitioner reference for the first-time individual buyer, the search-fund principal, the family-business successor, and the corporate executive or independent sponsor acquiring an existing private business. Eleven chapters end-to-end -- assembling your acquisition team, finding businesses for sale, valuing a business, negotiating the deal, due diligence, financing the acquisition (SBA 7(a), seller notes, mezzanine, the full capital stack), the post-acquisition transition, operations, tax strategy (asset-purchase plus 338(h)(10), §179 / bonus depreciation), human resources, and the platform-growth follow-on acquisitions playbook. Plus eleven worksheets, an LOI / APA / NDA legal-template appendix, and a Quality of Earnings worksheet.

This free preview gives you the cover, the full table of contents, the Reader's Roadmap by buyer type (so first-time buyers, search-fund principals, family successors, and corporate executives each find their starting point), and one complete chapter -- Chapter 4, Negotiating the Deal. The terms of a deal -- the working-capital target and adjustment mechanism, the asset-vs-stock structure, the earnout, the non-compete, the transition -- are often more important than the headline number; the working-capital adjustment alone routinely moves the post-close cash position by six figures.

Read it the way a buyer eight to twelve months from closing would read it: find your buyer type in the Roadmap, then work the LOI checklist and the working-capital adjustment mechanism against the deal you are looking at. Misunderstanding the working-capital target at the LOI stage is one of the most common and most expensive errors a first-time buyer makes.

### WHAT YOU GET IN THIS PREVIEW

Cover - About This Preview - Table of Contents - Reading Map by Role - one full sample chapter

*Sample chapter: Chapter 4 -- Negotiating the Deal: the LOI structure, working capital target and adjustment mechanism.*

The full guide is available at [baratelliinstitute.com](http://baratelliinstitute.com). Single-user license; not for redistribution.

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## READER'S ROADMAP

# A Reading Map by Buyer Type

Business acquisition looks different depending on who you are when you start. The chapters below are sequenced for each common buyer type - read them in the suggested order first, then circle back for context. Every chapter ends with the AI-prompt callout for that decision window.

You are...	Read in this order
<b>First-Time Individual Buyer</b> (corporate executive becoming an owner)	<ul style="list-style-type: none"> <li>● Ch 1 - Assembling Your Acquisition Team</li> <li>● Ch 9 - Tax Strategy</li> <li>● Ch 2 - Finding Businesses for Sale</li> <li>● Ch 6 - Financing the Acquisition</li> <li>● Ch 5 - Due Diligence</li> <li>● Ch 7 - Post-Acquisition Transition</li> </ul> <p><i>The biggest first-time-buyer mistake is starting with the listing search before assembling the team. Reverse that order.</i></p> <p style="text-align: right;"><i>— Philip A. Baratelli</i></p>
<b>Search-Fund Principal</b> (MBA-backed search committing 18-30 months)	<ul style="list-style-type: none"> <li>● Ch 2 - Finding Businesses for Sale</li> <li>● Ch 3 - Valuing a Business</li> <li>● Ch 4 - Negotiating the Deal</li> <li>● Ch 5 - Due Diligence</li> <li>● Ch 6 - Financing the Acquisition</li> <li>● Ch 8 - Operations</li> <li>● Ch 11 - Platform Growth</li> </ul> <p><i>Use Ch 1 for team-build sanity checks, but the search-fund workflow itself starts at sourcing.</i></p>
<b>Family-Business Successor</b> (next-gen acquiring family business)	<ul style="list-style-type: none"> <li>● Ch 3 - Valuing a Business</li> <li>● Ch 4 - Negotiating the Deal</li> <li>● Ch 9 - Tax Strategy</li> <li>● Ch 7 - Post-Acquisition Transition</li> <li>● Ch 10 - Human Resources</li> <li>● Ch 8 - Operations</li> </ul> <p><i>The non-obvious need is rigorous independent valuation and an arm's-length tax structure - to protect both the family relationship and the deal economics.</i></p>
<b>Corporate Executive / Independent Sponsor</b> (deploying network + capital)	<ul style="list-style-type: none"> <li>● Ch 1 - Acquisition Team</li> <li>● Ch 6 - Financing the Acquisition</li> <li>● Ch 4 - Negotiating the Deal</li> <li>● Ch 5 - Due Diligence</li> <li>● Ch 11 - Platform Growth &amp; Follow-On Acquisitions</li> </ul> <p><i>The corporate executive's edge is operating playbook and capital access; the gap is rarely deal terms and almost always post-close culture.</i></p> <p style="text-align: right;"><i>— Philip A. Baratelli</i></p>

Cross-cutting context: the Acquisition Team chapter (Ch 1) and the Tax Strategy chapter (Ch 9) are recommended for every buyer type at some point in the read. The remaining chapters are best absorbed in the order each buyer will actually encounter them in their own deal.

## CHAPTER FOUR

# Negotiating the Deal

Negotiation in a business acquisition goes far beyond the purchase price. The terms of a deal — payment structure, transition period, non-compete, working capital targets — are often more important than the headline number.

## The Letter of Intent (LOI)

The LOI is a non-binding document that outlines your proposed acquisition terms. It signals serious intent, triggers an exclusivity period, and creates the framework for the final purchase agreement.

Purchase price and structure (asset sale vs. stock sale)	<input type="checkbox"/>
Down payment and financing contingencies	<input type="checkbox"/>
Seller note terms if applicable	<input type="checkbox"/>
Earnout provisions if applicable	<input type="checkbox"/>
Working capital target and adjustment mechanism	<input type="checkbox"/>
Transition and training period (typically 30–90 days)	<input type="checkbox"/>
Non-compete agreement (geography, duration, scope)	<input type="checkbox"/>
Exclusivity period for due diligence (30–90 days)	<input type="checkbox"/>
Key employees required to stay post-closing	<input type="checkbox"/>
Assets included and excluded from the sale	<input type="checkbox"/>

## Asset Sale vs. Stock Sale

	Asset Sale	Stock Sale
<b>Buyer prefers</b>	Yes — buy assets, avoid hidden liabilities	Rarely
<b>Seller prefers</b>	No — higher taxes	Yes — capital gains treatment
<b>Liability transfer</b>	Buyer chooses what to assume	All liabilities transfer
<b>Most common for</b>	Small business acquisitions	Larger or regulated deals

## Advanced Negotiation Concepts

### BATNA: Your Most Important Negotiating Asset

BATNA — Best Alternative To a Negotiated Agreement — is what you will do if this deal does not close. Your BATNA determines how much power you have at the negotiating table. A buyer with multiple viable deals in their pipeline negotiates from strength. A buyer who has spent 6 months on one deal and has no alternatives negotiates from desperation.

- **Always be building your pipeline:** Never let a single deal consume 100% of your acquisition bandwidth. Even when deep in due diligence, continue conversations with other potential targets
- **Know your walk-away price:** Determine before negotiations begin the maximum price and the minimum terms at which you will sign. Write it down. Do not move from it under emotional pressure
- **The seller has a BATNA too:** Understand the seller's alternatives. A seller who has been approached by three buyers negotiates differently than one who has listed for 18 months with no offers
- **Never reveal your ceiling:** Do not share your maximum price with the seller's broker or the seller. Once they know your ceiling, every negotiation starts there
- **Time works against both parties:** The longer a deal drags on, the more both sides want to close. Be willing to use time strategically — but do not let deals die from neglect

### Price vs. Terms: The Sophisticated Buyer's Advantage

Most inexperienced buyers focus exclusively on purchase price. Experienced buyers know that terms often matter more. A seller will frequently accept a lower price in exchange for better terms — and vice versa. Understanding these trade-offs is the foundation of creative deal-making.

If the Seller Wants...	Offer...	In Exchange For...
Higher purchase price	Agree to higher price	Larger seller note; longer standby; earnout replacing upfront cash
All cash at closing	Accept all-cash structure	Significant price reduction (10–20%); representations survive longer; larger escrow
Short transition period (30 days)	Accept shorter transition	Extended consulting agreement at market rate; detailed operations manual delivery requirement; stronger non-compete
Minimal escrow / holdback	Accept low escrow	R&W; insurance (buyer pays premium); stronger indemnification cap and survival; additional seller representations
Quick closing	Accelerate timeline	Higher escrow; seller cooperation in expedited due diligence; pre-negotiated purchase agreement
Clean break / no post-closing obligations	Accept limited involvement	Price adjustment; robust disclosure schedules; strengthened reps and warranties

## Navigating a Competitive Process

Some attractive businesses run a formal competitive sale process — soliciting multiple offers simultaneously. When you are competing for a deal, your strategy must change.

- **Move fast:** Sellers in competitive processes value speed and certainty. Submit your LOI quickly, complete due diligence efficiently, and communicate your timeline clearly
- **Lead with certainty:** A slightly lower price with financing pre-approval, no financing contingency, and a clean LOI often beats a higher price with conditions. Sellers have been burned by deals that fall through

- **Know the process:** Ask the broker how many bids are expected, when they are due, and how the selection will be made. This is not always shared — but asking establishes you as a sophisticated buyer
- **Best and final:** In a competitive process, assume there will be a 'best and final' round. Do not hold back your best offer in the first round if the deal matters to you
- **Differentiate on fit:** If price is competitive, differentiate on your qualifications, your vision for the business, and your commitment to the seller's legacy and employees. Sellers — especially retirement sellers — care about who is taking over their life's work

## Earnest Money / Good Faith Deposit

Some sellers — particularly those who have had deals fall through — require an earnest money deposit when the LOI is signed. This is a cash deposit that demonstrates serious buyer intent.

- **Typical amount:** 1–3% of purchase price; often \$10,000–\$50,000 for small business deals
- **What happens to it:** Applied to purchase price at closing; refundable to buyer if deal falls through due to due diligence findings (negotiated); may be forfeited if buyer walks away without cause
- **Buyer's perspective:** Only pay earnest money if the due diligence contingency is clearly defined — i.e., you get your deposit back if due diligence reveals material issues. Never put up non-refundable earnest money before completing due diligence
- **Escrow vs. direct:** Always deposit earnest money with a neutral escrow agent — not directly with the seller. If deposited with the seller and the deal falls through, recovering it may require litigation

## The Confidential Information Memorandum (CIM)

For businesses listed through a professional broker or M&A; advisor, the seller typically prepares a Confidential Information Memorandum (CIM) — a detailed marketing document describing the business, its financials, and its growth opportunity. Understanding how to read a CIM critically is an essential buyer skill.

- **What a CIM includes:** Business overview, products/services, market analysis, financial summary (3 years + trailing 12 months), management team, customer overview, growth opportunities, asking price and deal structure
- **What to be skeptical of:** Adjusted EBITDA that is heavily add-back laden; growth projections with no historical basis; customer concentration minimized or not disclosed; one-time revenue included in run-rate
- **What is typically missing:** The real reasons for the sale; any material risks; pending customer losses; upcoming contract expirations; deferred capital expenditures
- **Request the backup:** Behind every CIM number is a source document. Request the actual tax returns, not just the CIM financial summary. The CIM is a marketing document — the tax return is evidence

- **Management presentation:** For larger deals, you will present yourself to the seller's management team and they to you. Prepare questions in advance. The management presentation is also your opportunity to assess the quality of the leadership team you will inherit

## Earn-In vs. Earnout: An Important Distinction

An earnout pays the seller more if the business performs well post-closing. An earn-in is the opposite structure — the buyer earns greater ownership over time by achieving milestones or paying installments. These are fundamentally different.

Structure	How It Works	When Used	Key Risk
<b>Earnout</b>	Buyer pays seller additional amounts if performance targets are met post-closing. Buyer owns 100% from day one.	Seller believes business is worth more than buyer will pay upfront; bridges valuation gap	Buyer controls the business during earnout period — creating conflict of interest on how aggressively to grow
<b>Earn-In</b>	Buyer acquires ownership incrementally over time as milestones are achieved or payments made. Full ownership achieved only at completion.	Buyer acquiring from a seller who wants to remain involved; management buyout structures; partial acquisitions	Complex governance during earn-in period; what happens if milestones not met; minority interest complications
<b>Sweat Equity</b>	A key employee or manager earns equity over time through performance rather than payment.	Retaining and motivating critical management post-acquisition; CEO succession planning	Vesting schedules, unvested equity on termination, dilution management — requires careful legal drafting

## KPIs to Establish on Day One

What gets measured gets managed. Establish your key performance indicators before closing so you have a baseline to manage from on day one. Here are the most important metrics by business type:

Business Type	Critical KPIs
Service businesses (B2B)	Revenue per client, client retention rate, utilization rate (billable hours / total hours), new client acquisition rate, accounts receivable days outstanding (DSO)
Retail / consumer	Same-store sales growth, sales per square foot, inventory turnover, gross margin by category, customer transaction frequency, average ticket size
Restaurants	Revenue per available seat hour (RevPASH), food cost %, labor cost %, table turn rate, check average, online review score trend
Manufacturing	On-time delivery rate, defect / return rate, machine utilization, raw material cost as % of revenue, backlog value, days inventory outstanding
Service / home services	Jobs per day per technician, average job value, customer acquisition cost, repeat customer rate, online booking conversion rate
Professional services	Revenue per professional (billable), realization rate, client retention, new matter / engagement rate, work in progress (WIP) balance
SaaS / subscription	Monthly Recurring Revenue (MRR), Annual Recurring Revenue (ARR), Monthly Churn Rate, Customer Acquisition Cost (CAC), Lifetime Value (LTV), LTV:CAC ratio, Net Revenue Retention (NRR)

**CAUTION**

Earnouts create complexity and potential conflict. Keep them simple, measurable, and time-limited. Revenue-based earnouts are simpler than profit-based.

\* Using AI in This Chapter

- Draft a Letter of Intent for the acquisition of a \$1.1M landscaping business at \$880K: asset sale, 15% seller note at 6% over 5 years, 60-day exclusivity, 90-day transition period.
- The seller rejected my offer at 3.2x SDE. Help me craft a counter-response that holds my price but reframes the value I'm offering through deal structure rather than price.
- What working capital amount should I include in my LOI for a service business with \$1.4M revenue, 45-day average receivables, and \$180K average monthly operating costs?
- I need to negotiate a non-compete with a seller who wants to stay in the industry. Draft language that covers geography, duration, and scope in a way that's actually enforceable.
- The seller wants a \$150K earnout tied to Year 1 EBITDA. Help me reframe this as a revenue-based earnout instead, and draft the key terms.
- Compare asset sale vs. stock sale from my perspective as a buyer acquiring a plumbing company with \$500K in equipment, three vehicles, and no known liabilities.



**WORKSHEET 4**

# LOI Term Sheet Builder

*Draft your letter of intent terms before negotiating*

Use this worksheet to think through every key deal term before submitting your LOI. Know your target position and your walk-away point for each item.

Business name / deal

---

### Price & Structure

My target purchase price (\$)	My walk-away maximum (\$)	Deal structure
		<input type="checkbox"/> Asset Sale <input type="checkbox"/> Stock Sale

### Financing Terms

<p>My cash down payment (\$)</p> <hr/>	<p>SBA / bank loan amount (\$)</p> <hr/>
<p>Seller note amount (\$)</p> <hr/>	<p>Seller note interest rate (%)</p> <hr/>
<p>Seller note term (years)</p> <hr/>	<p>Standby period requested (months)</p> <hr/>

### Key Deal Terms

<b>Transition period</b>	<i>How many days of seller training?</i>	30 / 60 / 90 / _____
<b>Non-compete duration</b>	<i>How many years?</i>	2 / 3 / 5 / _____
<b>Non-compete geography</b>	<i>What area?</i>	County / State / Regional / _____
<b>Working capital target</b>	<i>Minimum cash/inventory at closing</i>	\$ _____
<b>Exclusivity period</b>	<i>Days for due diligence</i>	30 / 45 / 60 / _____

**Earnout (if any)**

*Amount and trigger metric*

\$ \_\_\_\_\_ based on \_\_\_\_\_

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### **My Negotiation Strategy**

What is the seller's likely motivation? (retirement, burnout, health, financial pressure?)

What concessions am I willing to make on price in exchange for better terms?

My attorney handling the LOI and purchase agreement

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**CHAPTER-END · AI PROMPT CALLOUT****AI Prompts — LOI, Structure & Seller Dynamics**

Six prompts spanning the negotiation: LOI key-terms scoreboard, §338(h)(10) decision support, and seller-note negotiation (Section C), plus seller psychological profile, family-employee transition, and real-estate-included deal structure (Section F). Use with Claude, ChatGPT, Gemini, or any AI assistant. See the AI Use Notice (front matter) for required caveats.

**Section C — LOI & Deal Structure****Prompt 1****LOI key-terms scoreboard**

Build the key-terms scoreboard for the LOI on [DEAL]. Target: \$[X] purchase price, \$[Y] EBITDA, [INDUSTRY]. Output: (1) the asset-vs-stock recommendation and why, (2) the working-capital peg basis (TTM 12-month average vs. trailing 12 vs. seller-historical), (3) the escrow size and duration recommendation, (4) the seller-note structuring (size, rate, term, standby language, principal-deferment), (5) the transition-period requirements, (6) the exclusivity period and break-fee, (7) the conditions precedent to close, (8) the 3 terms I should not give on in the negotiation.

**Prompt 2****§338(h)(10) decision support**

Decide whether to push for §338(h)(10) treatment on the LOI for [STOCK SALE / ASSET SALE]. Target is an S-corp with \$[X] EBITDA and \$[Y] purchase price. Output: (1) the buyer's step-up benefit dollars, (2) the seller's incremental tax cost of consenting to §338(h)(10), (3) the gross-up math I should be willing to pay, (4) the alternative structures if seller refuses (asset sale, F-reorg + sale, partnership rollover), (5) the LOI language to preserve the option while keeping deal momentum.

**Prompt 3****Seller-note negotiation**

Negotiate the seller note on this deal. Buyer's ideal: \$[X] note, [Y]% rate, [Z]-year term, full standby for SBA underwriting, principal deferred until year [N]. Seller's ideal: \$[A] note, [B]% rate, [C]-year term, no standby, current pay. Output: (1) the SBA-policy constraints on seller-note standby that the seller may not appreciate, (2) the realistic middle-ground term sheet, (3) the personal-guarantee implications (full / partial / non-recourse), (4) the post-close performance-of-the-business-as-leverage-on-the-seller dynamic.

## Section F — Seller-Side Dynamics

### Prompt 1

#### Seller psychological profile

*Build a psychological profile of the seller before the negotiation meeting. Seller background: [DESCRIBE: age, years in business, family situation, retirement plan, prior sale attempts]. Output: (1) the seller's likely emotional anchors (legacy, employees, customers, family next-gen), (2) the seller's likely sticking points beyond price, (3) the conversation openings that reduce defensiveness, (4) the seller-protection ideas to offer voluntarily that cost the buyer little but matter to the seller, (5) the warning signs that the seller is not actually ready to sell.*

### Prompt 2

#### Family-employee transition

*Plan the transition of [N] family employees currently in the business. Sellers are leaving; family members in: [LIST WITH ROLES AND TENURE]. Output: (1) which family employees are likely to stay vs. leave, (2) the compensation-realignment for family employees if they are paid above market, (3) the conversation script for each (stay-and-grow / role-change / amicable departure), (4) the legal structure for any departures (severance, non-compete, contractor conversion), (5) the customer/supplier-relationship migration plan if a departing family member holds key relationships.*

### Prompt 3

#### Real-estate-included deal structure

*Structure the deal where seller owns the operating real estate and is selling the business. Real estate value: \$[X]. Business EBITDA: \$[Y]. Output: (1) the lease-vs-purchase decision for the buyer, (2) the lease terms (rent, escalators, options, repair responsibilities, environmental), (3) the lender impact on the rent assumption in DSCR, (4) the SBA-504 alternative if buyer wants to purchase the real estate, (5) the family-trust real-estate planning for the seller post-sale.*

**FIELD NOTES**

# Chapter 4 — Negotiating the Deal

*Additional considerations practitioners flag as worth knowing for this chapter.*

**ESSENTIAL**

## Indemnification Architecture — Worked Example

BBG Chapter 4 explains the LOI well. What follows happens at definitive-agreement stage but must be understood at LOI. The single most-misunderstood section for first-time buyers is indemnification. The seller's reps and warranties protect you post-close. The cap, basket, and survival period determine how much protection you actually have.

Term	Typical range	What it does
Indemnification cap	10-15% of purchase price (general) 100% of price (fundamental + tax + fraud)	Maximum dollar amount seller pays you for claims
Survival period	12-24 months (general reps) 3-7 years (tax, environmental) Indefinite (title, fundamental, fraud)	How long you can bring claims after closing
Basket / deductible	\$50K-\$200K, usually 0.5-1% of price	Minimum aggregate claims before seller owes anything
De minimis threshold	\$10K-\$25K per individual claim	Below this, the claim doesn't count toward the basket
Escrow holdback	5-15% of price, 12-24 month release	Reserved cash to fund claims; released per schedule

**Worked example: \$10M deal, top customer concentration at 28%.** If you discover post-close that the top customer was about to give 60-day notice (and seller knew but didn't disclose), the customer leaves in month 9 post-close and you lose \$3M in annual revenue. You file a claim:

- Loss: \$3M (annualized revenue impact)
- Claim falls under reps relating to undisclosed material information — general indemnification (not fundamental)
- Cap: 10% of \$10M = \$1.0M (you can recover at most \$1.0M of the \$3M loss)
- Basket: \$100K deductible — you bear the first \$100K, seller pays from \$100K to \$1.0M
- Escrow: \$1.0M held (10%), 18-month release — claim filed in month 9, escrow still fully funded
- Survival: 18 months general — claim filed in month 9, in survival window
- **Net recovery: \$900K (cap minus basket). Your uninsured loss: \$2.1M.**

This is why the cap matters. For customer-concentration risk specifically, negotiate either: (a) a customer-concentration carve-out from the general cap (so the cap rises to 25-40% of price for this specific risk), (b) a specific indemnity outside the cap, or (c) a purchase-price adjustment based on top-customer revenue retention at 6 and 12 months.

**DETAIL**

## Intra-Family Transfer Structures — Installment Sale + GRAT/IDGT

Family-business transfers rarely happen as a single all-cash sale. Common structures (see EPD for full treatment):

**Installment sale (IRC §453).** Seller note from parent to successor, payable over 10-15 years. Interest at minimum AFR (§7872). Parent reports gain over the installment period (deferral). On parent's death, remaining note receives §1014 step-up — can eliminate the deferred gain. Strongest for: parent with sufficient liquidity needs,

expects to outlive the note.

**GRAT (Grantor Retained Annuity Trust).** Parent transfers shares to a trust, retains annuity payments for a term (typically 2-10 years). At end of term, remaining value passes to successor gift-tax-free. Highest leverage when business is expected to appreciate. Risk: parent dies during term, value goes back to estate.

**IDGT (Intentionally Defective Grantor Trust).** Parent sells to a grantor trust for the successor's benefit. Trust is 'defective' for income tax (parent still pays the income tax on trust earnings, which is itself a tax-free transfer) but valid for estate tax. Highly tax-efficient; complex. Requires EPD coordination.

**Hybrid.** Many family deals combine: 30-40% installment sale, 30-40% gift (using lifetime exemption), 20-30% earnout tied to retained-customer performance. The hybrid lets the parent exit cleanly while the successor's basis is preserved.

#### NOTE

### MAC Clause — Heavily Negotiated, Rarely Triggered

Material Adverse Change (MAC) / Material Adverse Effect (MAE) is a closing condition allowing the buyer to walk if the target's business materially deteriorates between signing and close. In practice, MAC is heavily negotiated (sellers carve out industry-wide downturns, pandemics, war, weather, regulatory change). Courts rarely uphold MAC claims absent egregious facts. Treat MAC as a small comfort, not a deal-walker. The protections that matter are the closing deliveries (working-capital target, customer-retention reps, lender commitment).

#### NOTE

### Exclusivity Period — What to Do When It Expires

LOI typically grants 60-90 day exclusivity. Real lower-MM deals often need 120-150 days. When exclusivity expires mid-diligence, the options are: (1) request an extension — most sellers grant if diligence is in good faith; (2) accept the seller talking to backup buyers in parallel (uncomfortable but workable); (3) push to definitive-agreement signing with diligence continuing to close. Best practice: request 30-day extensions in writing every 30 days during diligence, with clear remaining-work documentation. Sellers respect transparency.

#### NOTE

### Search-Fund Earnout Dynamics — Why Sellers Resist

Search-fund sellers typically resist earnouts more than PE-deal sellers. Reason: the search-fund principal has unproven operator track record, sells a single-deal vehicle, may have limited follow-on capital to grow the business. Seller's earnout-payout risk is concentrated in one unproven operator. PE sellers face earnouts from institutional buyers with operating teams. Practical resolution: search-fund deals often use price-protection mechanisms (e.g., 12-month customer-retention adjustment) rather than 24-36 month performance earnouts.

**END OF FREE PREVIEW**

# Decide. Act. Now.

What you just read is one chapter of eleven. The full guide takes the same level of operational care into the acquisition-team build (Ch 1), the search and sourcing process (Ch 2), the business valuation methods including DCF, comps, and rules of thumb (Ch 3), the full due-diligence scorecard (Ch 5), the financing stack including SBA 7(a) mechanics, the seller note, the personal-guarantee structure, and the working-capital line (Ch 6), the post-acquisition transition (Ch 7), operations after close (Ch 8), the post-close tax strategy (Ch 9), human-resources diligence and transition (Ch 10), and the platform-growth follow-on acquisitions playbook (Ch 11).

The companion Excel toolkit operationalizes the frameworks -- the acquisition-team tracker, the criteria matrix, the valuation calculator, the LOI term-sheet builder, the due-diligence scorecard, the deal-financing planner, and the first-90-days action plan.

If you are sixty to seven hundred and twenty days from buying your first business -- or from buying your fifth -- this is the reference. The decisions made at the LOI cannot be unmade in the purchase agreement; the decisions made in the purchase agreement cannot be unmade after the wire is sent. The full guide is how you stop making them blind.

**GET THE FULL GUIDE**

## **The Business Buyer's Guide, 2026 Edition**

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