

Cottingham & Butler

A hand is shown pointing at a digital interface. The interface features several circular icons connected by dashed lines. The icons include: a gear with hands shaking, a gear with a checkmark and dollar signs, a bar chart with an upward arrow, and two figures holding a flag. The background is dark with a grid of dots and lines.

Mergers & Acquisitions

Successfully managing mergers and acquisitions requires careful planning, precise execution, and keen legal guidance. The smooth integration of employee benefits is crucial for employee satisfaction, retention, and productivity. To ensure a smooth transition, it's vital to thoroughly review the purchasing agreement, plan documents, and carrier contracts of the acquiring company. This scrutiny is necessary to identify and address any language and rules that may affect the successful merging of the two entities, fostering a unified and thriving workplace culture.

Stock vs. Asset Purchases

Asset purchases are a preferred choice for buyers seeking to acquire specific assets of a business without a transfer of ownership. In this transactional approach, employees are essentially terminated by the seller and subsequently hired by the buyer. This process may necessitate the renegotiation of employee agreements.

One notable advantage is that the buyer gains the discretion to select which risks and liabilities are assumed in the transaction. Importantly, ownership remains intact and does not change hands, allowing the buyer to acquire valuable assets without the broader transfer of the entire business. This method provides flexibility and control for the buyer while facilitating a strategic and targeted acquisition of desired assets.

In contrast, stock purchases are commonly favored by sellers looking to transfer full ownership of a business. During a stock purchase, the buyer assumes ownership of the entire business, and there is no disruption to the employment status of the buyer's employees, as they transition to becoming employees of the seller. Employee agreements are also transferred from the seller to the buyer, maintaining continuity.

However, it is essential to note that, under a stock purchase, the buyer takes on the responsibility of absorbing all the risks and liabilities associated with the business. This method entails a complete transfer of ownership, as ownership is lost by the seller and exchanged into the hands of the buyer. Despite the comprehensive assumption of risks, stock purchases provide a streamlined way for sellers to divest their entire business entity.

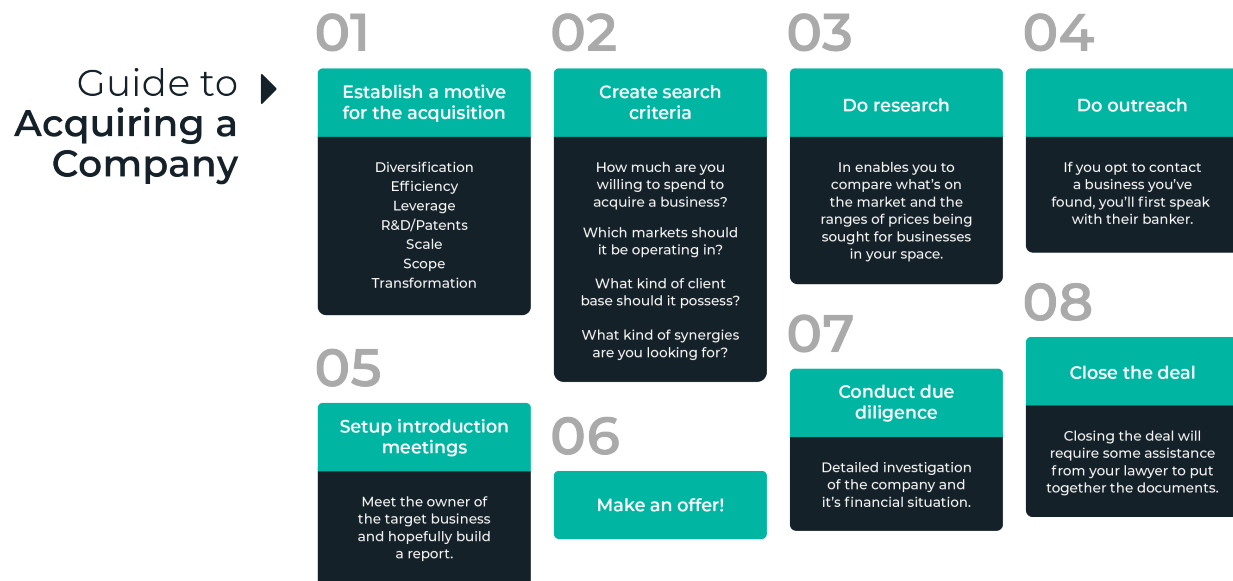


What's Happening Behind the Scenes?

Acquiring a company involves a systematic process that begins with establishing a clear motive for the acquisition, which could be driven by diversification, efficiency, leverage, R&D/patents, scale, scope, or transformation. Once the motive is defined, create specific search criteria, determining the budget, target markets, desired client base, and potential synergies.

Conduct thorough research to compare available options and their market prices. Reach out to businesses of interest through their bankers, followed by setting up introductory meetings with the owners to establish rapport. Subsequently, make a formal offer and proceed with due diligence, ensuring a comprehensive investigation into the target company's financial situation.

Finally, close the deal with the assistance of a lawyer who will facilitate the preparation of the necessary legal documentation to finalize the acquisition successfully.



The information included in this short guide is not exhaustive or applicable to all companies or transactions. **Contact Cottingham & Butler's Mergers & Acquisitions team to determine what is relevant to your business.**