OLIVEWOOD ADVISORS

A GUIDE FOR BUSINESS OWNERS

Decoding the Offer

How to balance the headline price with the terms that decide the outcome.

INTRODUCTION

You spent years building the business. You have days to respond to the *offer.*

Receiving an offer for your company is a milestone few owners experience. It's exciting, it's validating, and for most owners it's unfamiliar territory — you may review two or three offers in a career, while the buyer across the table reviews them every week.

Whether the document in front of you is an **Indication of Interest (IOI)** or a **Letter of Intent (LOI)**, it proposes far more than a price. It details how the transaction will be structured, how risk will be divided between you and the buyer, and how likely the deal is to reach the closing table on the terms you signed.

This guide is built to help you read past the headline number: to recognize what each component of an offer does, understand what it costs or protects, and ask sharper questions before you commit. It isn't legal, tax or investment banking advice. It's a working document meant to be marked up, and shared with your CFO, your leadership team and your advisors.

WHAT'S INSIDE

THE CENTRAL IDEA

Two buyers can offer the same price and hand you very different outcomes. The difference is in the terms.

BEFORE YOU READ THE OFFER

Pause before you look for the number.

It's natural to skip ahead. Before you do, take a moment to place the offer in context — because the strongest transactions aren't defined by what a buyer offers, but by how the deal is structured, where the risk lands, and whether it closes as promised. A few minutes of preparation here changes the quality of every conversation ahead.

ASK YOURSELF FIRST

- [ ] Is this the result of a competitive process, or an unsolicited offer?
- [ ] Have enough qualified buyers evaluated my business for me to know what the market will pay?
- [ ] Am I reading the entire offer, or only the purchase price?
- [ ] Do I understand what I'm agreeing to when I sign?
- [ ] Who is helping me evaluate the opportunity *and* the risk?

OLIVEWOOD INSIGHT

Every offer should do two things.

Maximize your upside

Price, favorable structure, and a real opportunity to participate in future growth.

Protect your downside

Fewer adjustments, no mid-process renegotiation, less risk carried after closing, and a high likelihood of actually closing.

THE DIFFERENCE →

Most owners read for the first. Experienced advisors read for both at once.

FROM INTEREST TO INTENT

An IOI starts a conversation. An LOI sets the *framework.*

Most sale processes move through the same two documents, and they carry very different weight.

STAGE ONE

Indication of Interest

An early, non-binding expression of interest. It gives a valuation *range* rather than a number, sketches how the buyer sees the opportunity, and indicates how they'd expect to finance it.

The range is wide on purpose — the buyer is pricing with limited information. What narrows it is access: management conversations, quality of earnings detail, customer visibility and other data sets.

> A buyer whose range stays wide late in the process is telling you something.

STAGE TWO

Letter of Intent

Substantially more consequential. It sets out price, structure, timing, exclusivity and the key business terms that will govern the rest of the transaction.

Most provisions are technically non-binding, but by the time an LOI is signed, both parties are aligned on the commercial deal, and definitive agreements are drafted *from* that framework rather than negotiated fresh.

> **The asymmetry:** terms are far easier to shape before an LOI is signed than after.

WHAT THE TWO DOCUMENTS DECIDE

- 01 Valuation — a range at the IOI stage, a number in the LOI.
- 02 Structure — cash, escrow, rollover, earnout, seller note.
- 03 Risk — who carries what after closing, and for how long.
- 04 Timing — diligence length, expected closing date, exclusivity.
- 05 Conditions — financing, approvals, third-party consents.
- 06 Your role — employment, transition, non-compete.

THE POINT → *By the time an LOI is signed, the deal has largely been decided.*

ADVISOR'S PERSPECTIVE

Exclusivity should be *earned.*

Nearly every LOI includes an exclusivity period that is typically 60 to 90 days, during which you agree not to solicit or negotiate with other buyers while this one completes diligence. That's standard and often reasonable: the buyer is about to spend real money on evaluating your company.

But understand what changes when you sign. Until that moment you're comparing opportunities. After it, you're working to close one, and your leverage shifts accordingly. Signing an LOI isn't only agreeing on a price. It's deciding which buyer has earned the right to move forward.

QUESTIONS THE DOCUMENT NEVER ASKS

→ Has this buyer closed transactions like this one, recently?

→ Do they have a reputation for honoring the terms they signed?

→ Is financing committed, or still being arranged?

→ What do sellers who've been through it with them say, unprompted?

→ Is the timeline realistic, or aspirational?

→ Is this genuinely the strongest opportunity available to you?

WHERE THOSE ANSWERS COME FROM

Market knowledge, reference calls and transaction experience — not the Letter of Intent itself.

BEFORE YOU SIGN → *Everything you'd want to verify should be verified before exclusivity begins.*

WHEN AN OFFER ARRIVES

The first 72 hours.

Momentum is not the same as progress. What you do in the first three days sets the tone for the next ninety.

01

Don't respond substantively on your own.

A quick "this looks workable" is remembered as agreement. Acknowledge receipt, and say your team is reviewing it.

02

Get the document to your advisors the same day.

Your banker, attorney and CPA should read it before you form a firm opinion. Reactions worth having are informed ones.

03

Establish whether this is a process or a proposal.

An unsolicited offer arrives without a benchmark. You can't know whether it's strong without knowing what other qualified buyers would pay.

04

Hold the news inside a small circle.

Employees, customers and competitors should not learn of a possible sale from anyone but you, at a time you choose.

05

Read the whole document before the number.

Reverse the natural order once, deliberately. Read exclusivity, structure and conditions first, then go back to the price.

06

Calendar your response.

Set an internal deadline before the buyer sets one for you. Thoughtful and prompt are compatible.

OLIVEWOOD INSIGHT

The pace of the first week is the buyer's to set — unless you decide otherwise. A deliberate response costs nothing and signals a seller who has done this before.

WHAT YOU'LL ACTUALLY NET

The number in the offer is not the number you *receive.*

Purchase price and proceeds are different figures, and the distance between them is where most owner surprise lives. Every transaction walks the headline value down through a series of adjustments before anything reaches your account.

THE WALK FROM HEADLINE TO CASH IN HAND

	Enterprise value	The headline number in the offer
−	Funded debt	Repaid at closing
+	Cash	Per the agreed definition of what stays in
±	Working capital adjustment	Measured against a negotiated target
=	**Equity value**	Attributable to shareholders
−	Escrow / holdback	Typically 5–15% of purchase price
−	Rollover equity	Reinvested, not received
−	Earnout	Contingent on future performance
−	Transaction expenses	Advisory, legal, accounting
=	**Cash at closing**	What actually funds on closing day
−	Taxes	Structure and allocation dependent
=	**Net proceeds**	*Your number*

ILLUSTRATIVE STRUCTURE ONLY · SEQUENCE AND DEFINITIONS ARE NEGOTIATED

QUESTIONS TO DISCUSS

- ☐ Is this enterprise value or estimated cash proceeds?
- ☐ What percentage is guaranteed at closing?
- ☐ What percentage depends on events after closing?
- ☐ What does this walk look like versus the other offers?

ADVISOR'S PERSPECTIVE

Ask every buyer to show their walk from enterprise value to cash at closing, in writing, at the offer stage. Two buyers with identical headline numbers routinely land 10–15% apart by the bottom of this table.

The higher offer is not always the better one.

The clearest way to see why terms matter is to run two offers through the same walk. In the illustrative example below, Buyer A leads on headline price by $8 million. Buyer B delivers more cash, sooner, with less risk carried forward.

TERM	BUYER A	BUYER B
Enterprise value	**$100.0M**	**$92.0M**
Cash at closing	**$64.0M**	**$87.4M**
Escrow	$8.0M · 8% of price	$4.6M · 5% of price
Rollover equity	$15.0M (15%)	—
Earnout	$13.0M over 3 years	—
Working capital target	Above trailing 12-month average	Trailing 12-month average
Exclusivity	90 days	60 days
Financing	Debt to be arranged	Committed
Guaranteed at closing	**64%**	**95%**

ILLUSTRATIVE EXAMPLE · FIGURES ARE DIRECTIONAL AND NOT DRAWN FROM A SPECIFIC TRANSACTION

Buyer A may still be the right answer. The rollover could prove more valuable than the $8 million gap, and the earnout may be achievable. But Buyer A's offer asks you to stay invested, stay involved, and accept three additional variables — a longer escrow, a stretched working capital target, and financing that isn't yet committed.

Buyer B's number is smaller and far more certain. That's a real decision about risk, timing and appetite — not a decision about which number is bigger.

OLIVEWOOD INSIGHT

A slightly lower offer with stronger terms and less post-closing risk frequently produces more value than the highest headline number. The headline is a starting point, not a ranking.

Where value is actually won and lost.

Every offer contains dozens of provisions. Five of them determine most of what you receive and most of the risk you carry forward.

01 Purchase price & cash at closing

Liquidity is certainty.

The headline price sets the negotiation; cash at closing sets your outcome. Deferred proceeds aren't worthless; they're simply worth less, because every dollar received later carries a condition attached to it.

> **Why buyers structure it this way:** to manage their own risk, bridge a valuation gap, or preserve capital for the business.

- [ ] How much cash funds on closing day?
- [ ] What is deferred, and for how long?
- [ ] What conditions must be met before the rest is paid?
- [ ] Can the structure improve without lowering the price?

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02 Working capital

The most negotiated item you'll never hear discussed.

Buyers expect to receive the business with enough working capital to keep operating normally. That's reasonable. The negotiation is entirely about what "normal" means, and a difference of a few percentage points against your target can move proceeds by a material amount.

> **Why buyers care:** they don't want to inject cash the week after closing, and historical levels are their benchmark.

- [ ] How was the target determined, and over what period?
- [ ] Does it account for seasonality and growth?
- [ ] Are one-time events distorting the calculation?
- [ ] Which balance sheet accounts are in, and which are out?

ADVISOR'S PERSPECTIVE

Most purchase price adjustments aren't the result of anyone behaving badly. They happen because a definition wasn't nailed down while it was still easy to negotiate.

03 Earnout

Sharing the future.

An earnout pays part of the price after closing if agreed targets are met. It can bridge a genuine valuation gap or align both sides through a transition. What matters is whether the target is objective, measurable, and achievable by someone who no longer controls the business.

- [ ] Who controls the decisions that drive the metric?
- [ ] How is performance measured, and by whose accounting?
- [ ] Have previous sellers actually been paid?
- [ ] Can the buyer's own choices affect the outcome?
- [ ] What if the buyer sells the business mid-earnout?

OLIVEWOOD INSIGHT

The simpler the earnout, the better. Revenue is harder to manipulate than EBITDA. One metric beats three. And an earnout you can measure yourself is worth more than a larger one you can't.

04 Rollover equity

You're not keeping ownership. You're making a new investment.

In many transactions, particularly with private equity, you're asked to reinvest a portion of your proceeds in the newly capitalized company. For some owners this is the most valuable part of the deal — a "second bite" that can exceed the first. For others it's concentration risk in a business they no longer control. Understand what you're buying: minority equity in a leveraged company, priced by the buyer, on the buyer's timeline. Its eventual value depends on their exit multiple and how much debt sits above you.

- [ ] What percentage am I rolling, and at what valuation?
- [ ] Same class of security as the sponsor, or beneath it?
- [ ] What involvement is expected before their exit?
- [ ] What information, governance and consent rights come with it?
- [ ] What are my exit rights if I'm no longer involved?
- [ ] What has this sponsor returned to rolling sellers before?

THE TEST → *Evaluate a rollover with the same discipline you'd apply to any other investment.*

05 Escrow & holdback

Proceeds you've earned but can't yet use.

A portion of the purchase price — commonly 5% to 15% — is held after closing to satisfy post-closing obligations if any arise. In many deals no claim is ever made and the funds release in full. It's still your money, unavailable. The percentage is the term worth negotiating: on a $100 million transaction, the difference between 5% and 15% is $10 million sitting in someone else's account.

- [ ] What percentage is held, and for how long?
- [ ] What events permit a claim?
- [ ] Is this the sole remedy, or can the buyer come after more?
- [ ] Would R&W insurance reduce or replace it?

> **Advisor's Perspective:** escrows are standard; their size, scope and duration are not. The negotiation is never whether one exists — it's whether this one is proportionate to the actual risk in your business.

Two terms that allocate risk rather than move price.

You won't negotiate these line by line — your counsel will. What matters is recognizing what they do, because both connect directly back to the escrow above.

Representations & warranties

Formal statements about financials, taxes, contracts, litigation, employees, environmental matters and ownership of assets. Most confirm what the buyer already relied on. Their real function is to allocate risk after closing, which is why they connect to escrow, indemnification and insurance.

> Clean records and accurate reporting shrink this exposure considerably.

Financing & closing certainty

An attractive offer is only worth what the buyer can fund. Some arrive with committed capital; others still need debt, equity or investment committee approval. Where a buyer stands changes both your negotiating position and your odds of closing.

> Ask what could prevent this transaction from closing, and who decides.

WHAT HAPPENS AFTER YOU SIGN

Ninety days, mapped.

Signing an LOI starts the most demanding phase of the process. Knowing the sequence makes it manageable, and makes it obvious when something has gone off track.

WEEKS 1–3

Diligence opens

Data room, quality of earnings, management sessions, the buyer's advisors engaged.

WEEKS 3–8

Confirmatory work

Customer calls, insurance, tax, legal, IT, environmental, HR. Financing underwritten.

WEEKS 6–10

Definitive agreements

Purchase agreement, disclosure schedules, employment and non-compete terms, escrow mechanics.

WEEKS 10–13

Close

Final working capital estimate, funds flow, signing, wire, announcement.

Your job during this period is to keep the business performing. **A missed quarter during diligence is the single most common reason terms get revisited.**

ADVISOR'S PERSPECTIVE

The retrade.

The risk exclusivity creates has a name. A retrade is when a buyer, deep into diligence and knowing you have no alternative in hand, revisits price or terms — sometimes for a legitimate discovery, sometimes because the calendar and your sunk costs now favor them. You reduce that risk before you sign, not after.

- → Diligence your own business first, so nothing found is a surprise to you
- → Prefer buyers with committed financing and a record of closing on signed terms
- → Keep exclusivity as short as the work genuinely requires
- → Ask former sellers whether the price at close matched the price in the LOI

WORTH ASKING → *"Have you ever revised price after signing an LOI, and why?"*

What you'll live with after the wire *clears.*

The economic terms determine what you receive. These determine what your life, and your team's, looks like afterward and owners consistently underweight them until they're binding.

Your role

How long are you expected to stay, in what capacity, reporting to whom? Is compensation market, and separate from purchase price? What does "transition support" mean in practice — days a week, or a title?

Non-compete and non-solicit

Scope, geography and duration. Two to five years is typical. Read it as though you might want to do something else in this industry someday, because the language may outlast your enthusiasm for retirement.

Your people

Which commitments about your team are in the document, and which were made in a meeting? Retention arrangements, benefits continuity, severance protection, and who your leaders report to on day one. Verbal assurances don't survive an integration.

Real estate

If you own the property personally, the lease you negotiate now is a second transaction. Term, rate, renewal options and repair obligations deserve the same scrutiny as the purchase agreement.

Seller note

If part of the price is a note, its rate, term, security and — critically — its position relative to the buyer's senior lenders determine whether it's a payment or a hope.

Name, brand and legacy

Whether the business keeps its name, its community commitments, its charitable giving. Not legally required. Frequently the thing owners regret not putting in writing.

OLIVEWOOD INSIGHT

Ask yourself which of these you'd be unwilling to concede at any price. Those are your non-negotiables, and they belong in the LOI — where they're a shared assumption — rather than in the purchase agreement, where they become a late request.

WHAT THE OFFER SAYS ABOUT THE BUYER

Every offer tells two stories.

The first is about your business. The second is about the buyer — how they see risk, what they're worried about, and how they're likely to behave once diligence starts. Structure is a form of disclosure.

IF YOU SEE…	IT MAY SUGGEST…
A significant earnout	The buyer wants you to share performance risk, or doesn't fully believe the forecast
A large rollover requirement	They value your continued alignment — and may need your capital in the structure
A stretched working capital target	Value is being recovered quietly, away from the headline number
A lengthy exclusivity period	Extensive diligence ahead, or work not yet underway
Minimal cash at closing	Financing or structure deserves a closer look before you commit
An escrow at the low end	Genuine confidence in the business, or coverage through insurance
An aggressive timeline	High motivation — or external pressure to close
Financing "to be arranged"	The deal isn't fully funded yet, and market conditions are now your risk
A price at the top of the range	Possibly a bid to win exclusivity, worth testing against their record
Unusually light diligence requests	Either real experience in your sector, or a process that will get slower later

These aren't rules. They're conversation starters — and context always matters.

ADVISOR'S PERSPECTIVE

One of the least visible parts of our job is evaluating the buyer behind the offer. Conversations with lenders, references and former sellers tell you how a buyer behaves when a deal gets difficult. That information exists. It simply isn't in the document.

Put them in one place.

Fill this in for each offer you receive, then look across rather than down. Differences that are invisible in two separate documents become obvious in one table.

TERM	OFFER A	OFFER B	OFFER C
Buyer type (strategic / PE / family office)			
Enterprise value			
Cash at closing ($ and %)			
Escrow (% of price / duration)			
Rollover (% / valuation / security)			
Earnout (amount / metric / term)			
Seller note (amount / rate / position)			
Working capital basis			
Estimated net proceeds			
Exclusivity period			
Financing status			
My required role and duration			
Non-compete term			
Commitments to my team			
Expected close date			
Comparable deals closed			
Reference checks completed			
Certainty of close (H / M / L)			
Gut check (1–10)			

OLIVEWOOD INSIGHT

The last two rows aren't decoration. In our experience, the offer an owner is still comfortable with a year later usually scored well on both — regardless of which one led on price.

Before you decide, take a step back.

The excitement of an offer makes speed feel like progress. Spend a few minutes here first; these notes are the agenda for your next conversation with your advisors.

THE ECONOMICS

What is genuinely most attractive about this offer?

Which assumptions could change my final proceeds?

Which terms do I not fully understand yet?

THE BUYER

What gives me confidence in this buyer?

What do I still not know about their ability to close?

What risk remains with me after closing?

THE PERSONAL SIDE

What am I unwilling to concede at any price?

What does the first year after closing look like for me?

What do I want my team to say about this a year from now?

QUESTIONS FOR MY ADVISORS

Investment banker

Attorney

CPA or tax advisor

OLIVEWOOD INSIGHT

Good decisions rarely feel rushed. Successful transactions aren't the product of fast decisions; they're the product of the right questions, asked while there's still time for the answers to matter.

The goal isn't to receive an *offer.*

An offer is a milestone. A signed LOI is another. Neither is the finish line.

The objective is a completed transaction, with the right buyer, on terms that were thoughtfully negotiated and that both sides can actually deliver. That's why experienced sellers read past the headline number. They ask questions. They compare alternatives. They evaluate the buyer as carefully as the offer.

The details matter because they shape more than price: they shape certainty, timing, flexibility, what happens to your people, and how you'll feel about the decision years from now.

THE FINAL THOUGHT

The best transactions don't happen because an offer arrived. They happen because an owner understood the opportunity, recognized the tradeoffs, and made informed decisions at every step.

HERE TO HELP →

We're glad to talk through an offer you've received — whether or not we're the ones representing you.

QUICK REFERENCE

Terms you'll see.

Plain-language definitions for the vocabulary that shows up in an offer.

Enterprise value
The agreed value of the business before debt, cash and certain adjustments.

Equity value
The amount attributable to shareholders after agreed adjustments.

Cash at closing
Proceeds that actually fund on closing day.

Working capital peg
The negotiated target that delivered working capital is measured against.

Earnout
Future payments contingent on post-closing performance.

Rollover equity
A portion of proceeds reinvested in the newly acquired company.

Escrow / holdback
A percentage of proceeds — commonly 5–15% — held for a period to cover post-closing obligations.

Indemnification
The seller's obligation to make the buyer whole for specified breaches.

R&W insurance
Insurance covering breaches of representations, often reducing the escrow.

Exclusivity / no-shop
The period in which the seller agrees not to pursue other buyers.

Retrade
A buyer revisiting price or terms after exclusivity has begun.

Quality of earnings
A buyer-commissioned analysis testing the accuracy and durability of earnings.

Seller note
Deferred purchase price documented as a loan from seller to buyer.

Funds flow
The closing schedule directing where every dollar goes.

Breakup fee
Amounts payable if a party walks away under defined circumstances.