PREPARED IN CONFIDENCE

Lateral Intelligence Dossier

Buying the competitor or expanding your business

Require the key customer commitment before you buy

CONTENTS

Lateral Intelligence: buy or expand?	1
What this approach adds to your decision	2
What the figures establish, and what still needs answers	3
From the first request to a decision you can act on	4
If the purchase remains worth pursuing	8
If timing prevents an immediate purchase	9
If buying is not ready or cannot meet the requirements	10
Why these alternatives were examined	11
What the research adds to the negotiation	12
The calculations behind the action plan	12
Compare waiting with expansion on the same basis	14
Why the plan could still fail	15
How this answer changes the original recommendation	16
What scrutiny changed and what remains unresolved	17
Case inputs and sources	18
Full research register	19

SAPIEN AMPLIFIED · DECISION ALPHA

October 2026 · Fictional case. All business figures are illustrative.

WHAT YOU ARE ABOUT TO READ

Lateral Intelligence: buy or expand?

This report compares buying your competitor with expanding your existing business. It examines whether a different purchase arrangement could make buying preferable to expansion, within your profit, cash and time limits.

Your original Decision Dossier examined buying the competitor versus expanding your existing business. It recommended a limited investigation before committing to either route.

Lateral Intelligence takes a different starting point and develops a complete answer around it. Its purpose is to uncover approaches, assumptions or arrangements that the original analysis may not have fully explored. A useful second answer can strengthen the original recommendation, add requirements or support a different choice. It does not have to disagree to add value.

What this report examines

The original dossier already established that losing the competitor's largest customer would sharply reduce profit. This report takes that finding further: **before buying the business, could you obtain a credible commitment from that customer to keep purchasing the services the business provides?**

That question leads to two purchase proposals to compare with expansion:

1. Buy the whole business only with an adequate customer contract in place. Examine the existing agreement first. If it is insufficient, work through the seller to seek a commitment before completing the purchase.

2. Consider an option to buy later if customer renewal timing prevents an immediate commitment. You would negotiate the right to purchase within an agreed period, allowing time to examine performance and seek the customer agreement. The seller has not offered this arrangement.

Why the customer commitment matters

If the competitor's largest customer stops buying after you purchase the business, its estimated annual operating profit falls from $174,000 to just $30,000, under the supplied cost assumptions. You would still own and have to run the entire business, but earn $90,000 less than your annual profit goal.

A lower purchase price or smaller payment at closing can reduce your financial loss. Neither establishes the revenue needed to reach your operating-profit goal. That is why this report examines the customer's purchases, contract and service requirements before recommending a purchase commitment.

What you are about to read

The following sections explain what this approach adds to the original analysis, compare the available choices, and separate calculated findings from assumptions and unanswered questions.

The detailed action plan then takes you through the purchase investigation, seller discussions, customer-contract review and the separate expansion test. Each step identifies who acts, what must be learned and what happens next. The supporting calculations explain the profit, cash and timing requirements behind those steps.

The immediate recommendation remains a two-week investigation, limited to $2,000 and six hours of your time each week. This report specifies the additional questions and arrangements that investigation should examine. It does not recommend buying before those questions are resolved.

Fictional case. Figures are supplied estimates or identified illustrations. Operating profit is before financing costs and income tax.

WHAT THIS APPROACH ADDS

What this approach adds to your decision

The original analysis identified the customer risk. This report develops a proposed way to address that risk before you complete the purchase.

Both reports use the same objectives: at least $120,000 in additional annual operating profit by the end of year two, at least $300,000 cash throughout any takeover, and no more than eight additional hours of your time each week.

From identifying the risk to negotiating an arrangement

THE ORIGINAL DOSSIER ESTABLISHED	THIS REPORT DEVELOPS
Losing the competitor's largest customer would reduce estimated annual profit to $30,000.	A proposal to require an adequate purchase commitment from that customer before buying the company.
Customer retention and the seller's handover need investigation.	Specific questions about minimum purchases, renewal, pricing, exit rights, service obligations and what happens when ownership changes.
Payment terms could reduce the buyer's financial risk.	A distinction between reducing what you pay and establishing the customer revenue needed for the profit goal.
Further investigation should precede a purchase decision.	An option to purchase later if a useful waiting period could resolve the customer-renewal issue.

The choices this report examines

CHOICE	WHY CONSIDER IT?	WHAT MUST BE RESOLVED?
Buy with an adequate customer commitment.	The commitment could make future purchases more dependable.	The agreement's terms, the customer's ability to pay, delivery costs, earnings, cash and staffing must support the purchase.
Negotiate an option to buy later.	Waiting could allow observation of performance or a customer renewal before committing.	The seller must agree. The fee, access to information, purchase terms and deadline consequences must justify waiting.
Test expansion instead.	Additional customers could meet the profit goal without buying the competitor.	Demand, trial delivery, costs and the timetable to annual sales remain unconfirmed.
Pause.	Pausing avoids further commitments when essential information is unavailable.	Waiting alone produces no additional profit and uses time remaining before the deadline.

What the recommendation changes

The two-week investigation remains the first proposed action. The additional requirement is that **you should not complete the whole-business purchase without an adequate customer commitment and satisfactory results on the other purchase requirements.**

An existing contract may already provide the necessary commitment. A new contract is needed only if the existing agreement is inadequate. An option is worth considering only if waiting could resolve a specific obstacle at an acceptable cost.

This report does not recommend purchasing only the competitor's largest customer contract. The case supplies no reason to expect the seller to accept that arrangement.

WHAT YOU CAN RELY ON

What the figures establish, and what still needs answers

The calculations explain why the proposal deserves investigation. They do not establish that the seller or customer will accept it.

The two reports use the same fictional case inputs, and the original analysis was available during development of this report. Their agreement should not be treated as independent confirmation.

How much you can rely on the main findings

FINDING	SUPPORT AND LIMITATION
Estimated annual profit is $174,000 after replacing the seller's work and adding the stated staff and systems costs.	The arithmetic follows from the supplied figures. Actual earnings and the completeness of replacement costs remain unverified.
Losing the competitor's largest customer reduces estimated profit to $30,000.	This assumes the supplied avoidable costs disappear and other modeled costs remain. Neither the customer nor the employee managing the account has said they intend to leave.
The customer must purchase at least $150,000 annually to reach the $120,000 profit goal under the model.	This assumes a 60% contribution after direct costs and $30,000 profit from the rest of the business. It leaves no cushion for additional costs.
A $400,000 closing payment passes the four displayed cash scenarios.	Those scenarios cover only four months. The lowest modeled balance is $306,000. Later obligations and actual payment dates still require a complete forecast.
A customer contract could reduce uncertainty about future purchases.	Its usefulness depends on enforceable terms, service requirements, exit rights and the customer's ability to pay. A signature does not guarantee revenue or profit.
The seller will accept the proposed contract requirement or an option.	This is unknown. The investigation must establish willingness, terms and practical obstacles.
The purchase or expansion will meet your deadline and weekly time limit.	This remains unknown until the work, staffing, transition and sales timetable are established.

What would change the next action?

1. An adequate existing customer contract is confirmed. Proceed to assess its continuity after the sale and verify the remaining purchase requirements.

2. Customer renewal is the main obstacle. Examine whether an option provides useful time without undermining the profit deadline.

3. Earnings are lower or costs are higher than supplied. Recalculate the required purchases, cash and staffing before proceeding.

4. Essential seller records remain unavailable. Pause paid purchase investigation and assess whether expansion is ready to test.

5. No workable customer commitment can be obtained. Under this recommendation, do not complete the purchase. Prepare the expansion test or pause.

What happens next

The action plan begins with your own records and the seller's initial information. It then explains how to assess the replies, discuss a workable arrangement and make the Day-14 decision.

The purpose is to reach a better-supported next decision while preserving your money, time and ability to walk away. The purchase itself remains conditional on what the investigation establishes.

THE ACTION PLAN

From the first request to a decision you can act on

Steps 1-6 are the initial two-week investigation. Steps 7-11 describe the later work if you authorize it. Each step identifies who acts, the result needed and the next decision. Later work has no assumed budget or completion date: obtain a scoped quote and schedule before committing to it.

Set the initial schedule and spending limits

PERIOD	TASKS	OWNER HOURS
Week one	Step 1: goals and own records, 2 hours. Step 2: adviser scope and confidentiality, 1 hour. Step 3: seller request, 2 hours. Public background research using lawfully available information, 1 hour.	6
Week two	Step 4: read replies and calculate, 3 hours. Step 5: seller discussion, 2 hours. Step 6: Day-14 decision record, 1 hour.	6

The twelve-hour allocation is a planning estimate. All preparation and records retrieval count from Day 1. Obtain adviser quotes against the $2,000 total before accepting work. A possible allocation is up to $500 for confidentiality advice and up to $1,500 for initial financial assessment, carried forward from the original plan; these are spending caps, not verified fees. Comprehensive contract review and earnings verification belong to a separately funded stage.

Maintain a simple log of task, person, date, owner hours, fee committed, fee paid and outstanding result. If replies or adviser costs cannot fit within the limits, reduce the scope to what can usefully be learned or pause. Do not quietly extend the two weeks or use the eight-hour overall ceiling to enlarge the six-hour investigation allowance.

1. Confirm the decision rules and organize your own records

Who and when: You, Days 1-3; two hours within week one.

Write down whether the profit target means a $120,000 annual rate reached by month 24 or $120,000 actually earned during months 13-24. Define when the takeover period ends for the cash requirement. Record any real purchase deadline. List your existing customers and relevant service sales, including the nine organizations already buying the proposed service from you. Identify any known overlap with the seller without seeking confidential names prematurely. List the work you currently perform and the duties you could realistically add.

Required result: One page containing your goal, deadline interpretation, cash period, time limits, existing-customer records and missing facts. Count additional profit across both businesses, including any damage to your current business from divided attention.

Then: Use these rules in every calculation. If a decision about the goal is still unresolved, show both readings rather than silently choosing the easier one. Proceed to the confidentiality and adviser arrangements.

2. Agree what information can be shared and what advisers will do

Who and when: You and a transaction lawyer; Day 1 onward, within the initial scope and fee cap.

Ask for a quote to review confidentiality terms and define a proportionate process for receiving seller summaries. Name the accountant or financial adviser who will assess the initial figures. Begin with anonymized customer summaries. Ask the lawyer which sensitive details should be reviewed only by advisers or a restricted review team. Do not request unrestricted customer prices and plans merely because a purchase is being discussed. [R1]

Required result: Written information-sharing arrangements, named recipients and an accepted scope and fee for each adviser. Identify what is excluded and would require a later engagement.

Then: Send the seller request once the agreed protections are in place. If an adequate process cannot be arranged within the allowance, record that obstacle and pause rather than exchanging sensitive records informally.

3. Request the facts needed to assess the whole business and its largest customer

Who and when: You send the request; the seller supplies the answers. Days 1-5, with two owner hours allocated to preparing and managing the request.

Ask what assets or shares are being sold, the price and payment structure the seller would consider, the reason for selling, the desired timetable, and the seller's current duties and proposed handover. Request 24 months of summary financial results, anonymized customer concentration and a description of the costs needed to replace the seller's work. Full reconciliation to bank and tax records comes later if authorized.

Required result: A dated seller response, or a list of records that can only be released later, with the proposed date and access arrangements. A promise of later records is recorded as an open question.

Then: Use the customer questions below to decide whether seeking a commitment or an option is plausible. Do not approach the customer yourself during these negotiations.

Add these specific questions about the competitor's largest customer

1. Is there a current written contract? What are its renewal date, term, minimum purchases, pricing, payment terms, termination rights and treatment of a sale or change of owner? Can a redacted copy be made available to the agreed adviser?

2. Who manages and delivers the services to this customer? Which responsibilities depend on the seller personally? What commitments, if any, exist from the employee who manages the account?

3. Would the seller consider a joint customer discussion at an agreed stage, aimed at confirming service continuity and a multi-year purchase commitment before completion? What confidentiality or timing concerns would need to be resolved first?

4. If renewal timing prevents an immediate commitment, would the seller consider granting an option to purchase later? What timing, payment and operating arrangements would the seller require?

Suggested wording for the seller

> "The figures provided suggest that this purchase depends heavily on continuity with your largest customer. Before committing, I need to understand the current contract and whether an appropriate purchase commitment could remain in place after the sale. I propose that we agree how advisers review the contract first, then decide together whether and when a joint customer discussion is appropriate. If renewal timing makes an immediate sale difficult, would you consider discussing an option to purchase later?"

This is a proposed discussion request, not an offer or a statement that the customer is likely to leave. The seller may have legitimate concerns about confidentiality, disruption or concessions. Ask for the reason and a workable alternative before drawing conclusions about the relationship.

4. Test the replies against profit, cash and owner time

Who and when: You with the financial adviser, Days 5-12; three owner hours within week two.

Separate supplied summaries from verified records. Recalculate earnings after the replacement manager, staff pay changes and systems. Identify whether the customer commitment is absent, inadequate, adequate on its face, or awaiting review. Use the financial tables later in this dossier to calculate the minimum customer purchases and the cash consequences of different closing payments. List every material cost omitted from the seller's summary, including paid handover, concessions, transition losses and effects on your existing business.

Required result: A short assessment with three rows: profit, cash and owner time. Mark each row supported for a specified scope, failed, or unknown. Attach the calculation and the exact document or answer needed to resolve each unknown.

Then: If verified information shows an unacceptable result, discuss a specific change and recompute it. If the essentials remain missing, prepare to pause at Day 14. Do not treat a signed customer contract as sufficient on its own.

5. Discuss one workable purchase arrangement with the seller

Who and when: You and the seller, Days 10-13; two owner hours.

Start with the whole-business purchase and the customer requirement. Explain which contract information remains necessary and ask whether the seller will support the agreed customer process. Discuss the $400,000 illustrative closing payment only alongside the remaining price, financing and cash constraints. If the problem is timing, discuss an option; do not introduce delay simply to make the proposal look different. Record the seller's reasons, acceptable alternatives and unresolved terms.

Required result: A written summary separating terms the seller accepts in principle from terms merely proposed. Record whether the customer requirement can be investigated, whether delayed purchase is acceptable, and what further work the seller will permit.

Then: Prepare the Day-14 decision. A refusal establishes that a particular request was refused; it does not establish disloyal customers or dishonest accounts. If the seller requires immediate cash, assess whether the immediate route works rather than assuming an option remains available.

Use the seller discussion to establish what can actually be agreed

Your negotiating position depends on the alternatives available to both parties. A purchase proposal becomes more useful when it explains the exact obstacle to proceeding and gives the seller a feasible way to address it. It does not become persuasive merely because the calculations favor you.

SELLER RESPONSE	QUESTION TO ASK	CONSEQUENCE FOR THE NEXT STEP
The seller needs cash now and a clean exit.	How much cash is needed, by what date, and would completion subject to an adequate customer agreement be acceptable?	A long option may be unacceptable. Assess the immediate whole-business route against cash and profit requirements. If it fails, retain expansion and pausing as alternatives.
The seller refuses customer contact.	Is the concern timing, confidentiality, disruption or something else? Would adviser review or a later joint discussion under agreed rules be acceptable?	Resolve the stated obstacle if possible. Refusal alone does not establish that the customer relationship is weak.
The seller offers fixed price and payment terms only.	Can an adequate existing customer agreement be verified? What records and handover are available?	Evaluate those terms against all requirements. Fixed payments can still be considered if the whole arrangement works; seller rigidity does not establish that it does.
The seller is open to an option.	What fee, period, exclusivity, access, continuing duties and purchase formula would the seller accept?	Price the complete proposal. An expression of interest does not establish a workable option.

How each choice affects time and bargaining strength

CHOICE	TIME GAINED AND TIME USED	WHAT MAY STRENGTHEN OR LIMIT YOUR POSITION
Customer commitment before purchase	Provides an opportunity to examine the agreement before paying for the business. Review, consent and negotiation may delay closing.	A clear requirement identifies what would allow you to proceed. Its feasibility depends on the customer and seller; a signed contract does not remove all risk.
Option to buy later	May provide a useful observation period or reach the customer renewal date. You receive no acquired-business operating profit while waiting.	An enforceable option and agreed exclusivity could preserve access to the purchase. Fee, access, formula and obligations must be negotiated.

CHOICE	TIME GAINED AND TIME USED	WHAT MAY STRENGTHEN OR LIMIT YOUR POSITION
Expansion	The supplied test needs six weeks; the full sales cycle remains unknown.	A prepared expansion test gives you an actionable alternative to buying. It does not establish future sales or profit.
Original seller investigation	Uses the same two weeks to examine terms, earnings, retention and duties.	Your ability to change terms depends on verified shortcomings, seller priorities and alternatives. The asking-price benchmark alone cannot measure your bargaining strength.
Pause	Preserves uncommitted cash and time, but the profit deadline continues to approach.	You can decline an unacceptable deal. Waiting is less attractive if it leaves no realistic route to your goal.

Prepare a real alternative within your hours. The earlier proposal allowed up to two additional weekly hours for expansion preparation alongside the six-hour purchase investigation. That can fit the overall eight-hour limit only if all other additional owner work is counted and total work stays within eight hours. Use any available time to organize your existing buyers' price, cost and delivery records and identify the information needed for a later test. This is optional preparation, not a second six-hour test or permission to exceed the purchase-investigation cap. Do not count the same records task twice.

Make the request specific. A credible customer commitment, verified earnings and an agreed handover are concrete subjects for negotiation. The seller may want a higher price, a different payment schedule or a limit on duties in exchange. A formula based on verified results can still be rejected because it leaves the seller with uncertainty or limits other opportunities. Record the actual trade-offs and calculate the whole package before accepting it.

Expect the customer to have interests too. The customer may want continuity, service guarantees, pricing concessions or freedom to change providers. A long purchase commitment has a cost to the customer. Determine what the customer would receive in return and whether those terms leave sufficient profit. The seller does not control the customer's purchasing decision.

Use concentration questions consistently. Ask the same contract and continuity questions about material customers, starting with anonymized summaries and adviser access where needed. BizBuySell uses 10% of revenue as a rule of thumb for concentration; it is a screening guide, not a safe limit or a forecast of loss. The competitor's largest customer represents 12% of revenue in this case. Your interest in that account will become apparent as discussions progress. [E10]

6. Make and record the Day-14 decision

Who and when: You, Day 14 or sooner if the necessary replies arrive; one hour.

Choose among a defined further purchase investigation, a separately scoped option negotiation, preparation or authorization of the expansion test, and a pause. Use the table below. Before approving further work, specify the unanswered question, why it matters, the person responsible, the document or result needed, the cost cap, the weekly owner hours and the review date.

Required result: A decision record that names one next stage and its limits. Missing information remains missing; it is not recorded as a successful result.

Then: No automatic extension, deposit, option fee or purchase follows. Stop paid purchase investigation when essential initial records or terms remain unavailable. Carry the customer requirement into any later purchase proposal.

WHAT YOU LEARN	NEXT ACTION
An existing multi-year contract appears to meet the necessary purchases and remain effective after the sale.	Authorize defined verification of that contract, earnings and delivery obligations if worthwhile. No replacement contract is needed solely for novelty.
The contract is absent or inadequate, and the seller supports a joint approach.	Scope the later contract and customer work in Step 7. Confirm timing and cost before authorizing it.
A credible commitment may be achievable at renewal, and the seller will consider waiting.	Evaluate the option in Step 9, including its fee, access, deadline effect and total obligations.

WHAT YOU LEARN	NEXT ACTION
The seller will not permit a workable review or commitment process.	Ask whether a different protocol resolves the concern. If none does, do not proceed with the purchase under this recommendation; prepare expansion or pause.
Essential financial records or payment terms are missing.	Pause paid purchase investigation. Decide separately whether expansion is ready to test.
Your current customers overlap with the seller's proposed opportunities.	Recalculate incremental revenue and delivery needs. Existing sales cannot be counted again as new growth.

Prevent open-ended negotiation

At Day 14 set a dated review for any further stage. The prior plan proposed ending purchase investigation if no letter of intent is signed within another 30 days. Treat that as a proposed time limit to agree explicitly, not a seller deadline or authority to spend for another month. If time expires, decide whether a specific new fact justifies a newly scoped extension. Otherwise pause and assess expansion readiness.

If the purchase remains worth pursuing

The steps below turn the customer requirement into a practical transaction process. Their timing depends on access, the seller, the customer and advisers. They must fit your overall eight-hour weekly limit and a separately approved budget.

7. Verify the existing customer contract or arrange a joint discussion

Who and when: The transaction lawyer reviews the contract; you and the seller agree any customer approach. After a separate scope and budget are approved.

Have the lawyer assess the actual contract, transaction structure and governing law. Establish whether the contract remains effective, whether consent is required, and whether the minimum purchases and exit rights support the proposed model. Transfer and change-of-control provisions can affect timing; general commentary does not decide this contract. [R2] If a new commitment is needed, agree who contacts the customer, what can be disclosed and who attends. The seller should introduce the proposed transition. Ask about the customer's required service, purchasing authority, budget cycle, renewal timing and concerns about continuity.

Required result: A contract assessment and, where appropriate, a documented customer discussion identifying the terms the customer would consider. Separate an expression of interest from a binding commitment. Verify who has authority to sign.

Then: If the customer requests discounts, added services or exit rights, send those terms to the financial adviser for recalculation. If the customer refuses, establish whether timing or an unacceptable arrangement explains the refusal. Consider an option only if waiting could resolve the actual obstacle.

The customer agreement must answer these questions

ISSUE	WHAT THE ADVISER AND BUYER NEED TO ESTABLISH
Purchases and duration	The enforceable minimum purchases, period covered and renewal dates. The initial numerical threshold is $150,000 a year at the supplied margin, with no cushion.
Price and delivery	Prices, permitted changes, service scope, delivery standards and your cost of satisfying them. A larger revenue commitment with expensive concessions may still fail.
Payment and ability to pay	Payment dates, actual payment history where available, creditworthiness and the cash effect of delay. Contracted revenue is not cash already received.
Exit, remedies and transaction	Termination rights, remedies, any required consent, and whether the commitment remains effective after the intended sale. Legal enforceability requires actual contract review.
People and service continuity	Who manages the account, who delivers the service, what seller introductions are required and what happens if the account employee leaves.

8. Complete financial and operational verification before agreeing to close

Who and when: Your accountant or financial adviser, transaction lawyer, proposed operations manager, seller and you. After the customer route appears workable.

Reconcile seller earnings to appropriate underlying records. Confirm working capital, liabilities, assets included and transaction structure. Obtain a duty-by-duty plan replacing the seller's work, including the account employee's responsibilities, agreed pay and the seller's handover. Prepare a dated cash forecast from today through the takeover and through the final seller-note payment. Include adviser fees, option costs if any, tax, capital spending, debt service, delayed receipts, transition losses and the effect on your existing business.

Required result: A proposed purchase agreement and supporting financial and staffing schedules. The schedules must show how all three requirements and the agreed deadline are met. Any reduction of risk through a holdback or retention-linked payment must be stated explicitly, costed and reviewed.

Then: Close only after the specified customer commitment, required consents, funding and operational arrangements are in place. The $400,000 closing figure is an illustration to evaluate, not permission to pay that amount. A lower price alone does not repair an operating-profit shortfall.

Before paying the purchase price

You: confirm the final decision and limits. **The lawyer:** confirm the agreed documents and required consents are complete. **The financial adviser:** reconcile the final price, funding and cash schedule to the verified figures. **The seller and operations manager:** confirm the handover tasks, dates and responsibilities. Record any unresolved item and its consequence; a material unknown cannot become a pass because closing is scheduled.

After completion: monitor what the purchase depends on

Use a proposed weekly review during the first month and monthly reviews thereafter, adjusting the schedule to actual risk and cost. Assign the operations manager to report customer orders, delivery quality, invoices, overdue amounts and staff coverage. Assign the financial adviser or bookkeeper to update cash forecasts. You record your actual additional hours and review progress against the profit target.

Review immediately if the customer reduces purchases or disputes invoices, a critical employee becomes unavailable, forecast cash approaches the $300,000 minimum, or your duties are likely to exceed eight hours. Identify the cause and recalculate the response before extra spending. The forecast must provide enough notice to act before a cash or time limit is breached. A contract dispute may require legal action and still cause a cash shortfall.

If timing prevents an immediate purchase

9. Evaluate an option to buy later as a separate decision

Who and when: You, the seller and transaction advisers, only if the seller is willing to discuss delayed completion.

An option is a contractual right to buy within an agreed period on specified terms. For this proposal, the seller continues operating and keeps the operating profit while you decide whether to purchase. Negotiate the fee, expiration, any exclusivity, access to financial information, price or formula, accounting definitions, dispute process, and every obligation incurred even if you do not buy. The general option mechanism is described in R3, a UK property source; it supplies no business-sale fee benchmark or proof that this seller will agree.

Required result: A priced proposal showing the maximum fee and other costs at risk, the exact information you can obtain, the customer-renewal timetable and the latest completion date compatible with your goal. No fee or deposit is included in the initial $2,000 allowance.

Then: Accept only if the information and timing benefit justify the full cost and the seller offers workable terms. Continue to require the customer commitment before purchase. During the option period, obtain information through the agreed process and keep the businesses operating independently. [R1]

Make the waiting period useful

Schedule financial updates, a customer-renewal review and the final exercise decision in advance. Specify the records needed to reconcile revenue, expenses and customer continuity. Verify results rather than relying on a formula applied to unexamined figures. Investigate unusual invoicing, deferred costs or cuts that make the trailing results look stronger while damaging future service.

Before exercising, rerun Step 8 using current results, remaining cash and the agreed deadline. If the customer has left or will not make an adequate commitment, do not exercise under this plan. The option fee and adviser costs may be lost, and any other negotiated obligations still need to be satisfied. Do not describe the fee as the only possible loss without reading the agreement.

What the seller might gain, and why agreement remains uncertain

A clearer path to a sale, continued operating income during the option period and an agreed fee may interest some sellers. A seller seeking immediate cash or a complete exit may reject delay. These are possible incentives to investigate, not established motives. Similarly, a customer may value continuity, but may demand concessions for committing. Record each party's actual response and recalculate the deal accordingly.

If buying is not ready or cannot meet the requirements

10. Prepare and separately authorize the expansion test

Who and when: You and whoever will deliver the trials. Begin the full test only after purchase work is paused or a smaller combined schedule has been explicitly designed within the time limit.

Define the service, trial price, scope, delivery cost and person responsible. The $50,000 figure is an annual customer price, not the trial price. Prepare the 20-prospect list and remove duplicated organizations or existing service sales. Check overlap with the list of 25 organizations, nine of which already buy the proposed service. Use lawful sources and your own records; do not use confidential seller material to solicit the seller's customer.

Required result: A test plan lasting six weeks, costing at most $8,000 and using six owner hours weekly. Name the prospects, outreach method, trial deliverables, dates, cost and hour tracking, and the decision date.

Then: Run the test only after authorization. Two or more paid trials delivered within the tested cost and time assumptions justify considering another limited stage. They do not prove that six annual customers will sign or that full expansion should be funded. [S5-S7]

Track prospects reached, whether they understood the offer, paid trials sold, payments received, delivery costs, delivery hours, owner hours and reasons for declining. If results fall short, distinguish an unsuitable offer from incomplete outreach or failed delivery. A weak expansion test does not make buying automatically attractive.

11. Record the next decision and preserve the limits

Who and when: You at the end of each authorized stage.

Write the selected action, reasons, supporting records, unresolved questions, alternatives considered and next review date. Record the cost and hours committed, not just amounts already paid. If the result changes the plan, carry that change into the payment proposal, financial forecast, duty list and customer communications before acting.

Required result: A consistent current plan that someone else can follow without reconstructing discussions or searching for instructions across separate analyses.

Then: Continue only when the next stage has a useful question, an achievable result and explicit limits. Pause when those requirements are absent. A decision to wait preserves flexibility but does not itself deliver the profit goal.

Why these alternatives were examined

The question remains whether to buy the competitor or expand your own business. The customer-centered starting point tests whether securing continuity of the revenue the purchase depends on changes that comparison. It does not make buying a foregone conclusion or replace the goal with acquiring a particular customer.

APPROACH EXAMINED	WHAT IT COULD CHANGE	TREATMENT IN THIS REPORT
Require the competitor's largest customer commitment before buying.	The facts to investigate and what must be in place before completion.	Developed as a purchase requirement, then compared with expansion and pausing. The existing customer-loss calculation is retained from the original dossier.
Observe performance before deciding, using an option.	The timing of the decision, information available and cash initially committed.	Developed where waiting could resolve a specific renewal or verification issue. It depends on seller agreement and deadline fit.
Make the eight-hour owner limit the starting point.	The staffing, duties and handover required for either route.	Integrated into every stage. The manager quote does not establish that all seller duties can be replaced.
Merge with the seller for equity.	Ownership, cash paid, control and profit sharing.	Not selected. No seller interest is supplied and the treatment of shared profit against your goal would need agreement.
Tie part of the price to customers staying.	What you pay if revenue falls and the seller's incentive to help.	Retained as a possible payment protection. The original dossier already identified this approach, so it is not presented as a new discovery.
Buy only selected customer contracts.	The amount of the competitor's operation acquired.	Set aside. No seller motive or offered terms establish a plausible sale of the best account while retaining the rest.
Expand, use a referral or subcontracting arrangement, obtain lender finance, or wait.	How growth is obtained or funded, and whether any commitment is made now.	Expansion and pausing remain direct alternatives. Referral and subcontracting terms are not offered. Lender finance requires actual terms and a complete repayment forecast.

What the original dossier already covered

The original analysis calculated the customer-loss result and named a customer-linked holdback, deferred payments tied to retention, a documented handover, a stay agreement with the key employee and lender finance. It also named buying customer relationships without developed terms, and contemplated later customer discussions with the seller's consent. Its initial seller request already asked whether later payments could depend on major customers continuing to buy. This report retains those ideas without relabeling them as new.

The additional development here is the explicit minimum-purchase requirement before completion, the $150,000 customer-revenue threshold under the supplied margin, and an option priced on verified results with a deadline calculation. Reusing the original facts is appropriate; the additional reasoning must be judged by the questions, terms and decision consequences it produces.

What could defeat the proposed customer-centered approach?

Service depends on the integrated business. The customer may buy because of the seller, staff and combined services. That reinforces the need to examine the whole operation and is one reason not to assume that buying a contract alone works. **No adequate commitment is available.** The customer may refuse the term or minimum, or required concessions may destroy the margin. **No workable access exists.** The seller may reject the necessary adviser or customer process. **Waiting misses the deadline.** A useful option period may still leave insufficient profit time after transition. These are questions to resolve, not assumed failures.

Customer concentration also remains after a successful purchase. A contract has a limited duration, delivery obligations and collection risk. If new verified facts establish enough replacement revenue or removable costs to meet the goal without this customer commitment, reconsider the requirement and compare the revised purchase with expansion on the same basis.

What the research adds to the negotiation

Compare the price with care

The $650,000 asking price is 2.03125 times the seller's stated $320,000 earnings, approximately 2.0 times. It is approximately 3.74 times the $174,000 operating-profit estimate after replacing the seller's work and adding the stated costs. Those are different denominators and must not be treated as equivalent.

BizBuySell's 2021-2025 service-business dataset lists 5,839 sold businesses and a median sale-price multiple of 2.38 times owner earnings, approximately 2.4. That is broad market context. The company's industry, customer dependence, recurring costs and earnings definitions must match before any transaction is a useful comparable. The benchmark does not establish a fair price here, prove that the asking price is low, or show that asking for a discount is weaker than asking for different terms. [E7]

Retention-linked payments remain useful, with limits

An earnout makes some purchase payments depend on later results. A customer-linked holdback or reduction can similarly limit what you pay if agreed retention requirements are missed. The accounting-practice guidance in E1 describes how price, upfront payment, retention periods and seller involvement interact. That is relevant to the mechanism, but an accounting-practice example does not establish customary terms for this unidentified service business.

The research in E2 and E3 examines how contingent payments address uncertainty and conflicting incentives. It supports considering clearly specified measures and incentives; it does not prove that an earnout is superior in this case. Definitions of revenue, costs, customer retention, accounting access and disputes matter because the buyer's post-sale decisions can affect whether the seller is paid.

The earlier research record cited 21% of aggregate maximum potential earnout dollars paid to date in an SRS Acquiom sample. That wording matters: it is not a prediction that this seller will receive 21% of a proposed payment, nor necessarily a final payout after every period ends. SRS Acquiom's current 2026 summary also reports 21 cents per potential dollar for non-life-science earnouts, in a different presentation of its data. Neither figure is used in this case's calculations. [E4]

K&L Gates' summary of the 2025 ABA study concerns 139 transactions priced from $25 million to $900 million. Those transactions are much larger than the proposed $650,000 purchase. Its reported use of earnouts describes that sample; it cannot establish availability or standard terms here. [E5]

Make the handover a defined obligation

Training guidance supports negotiating duration, hours and covered duties rather than relying on an undefined promise to help. In this case, the handover should identify who introduces the buyer and operations manager to the customer, who resolves delivery issues, when duties transfer and how any paid support affects profit. Customer retention and employee retention must each be examined. The source supplies no verified handover quote for this business. [E6]

The calculations behind the action plan

The calculations below explain the thresholds used in the steps. They are estimates based on the fictional case inputs, not verified business results. Financing and tax are excluded from operating profit but included where relevant in cash planning.

Why this customer matters so much

ANNUAL PROFIT CALCULATION	AMOUNT
Seller's stated earnings before paying for the seller's work	$320,000
Replacement operations manager	-$110,000
Staff pay increases	-$24,000
Added systems	-$12,000
Estimated settled annual operating profit	**$174,000**
Loss of $240,000 customer revenue less $96,000 avoidable direct costs	-$144,000
Estimated profit if that customer leaves	**$30,000**

The customer accounts for 12% of the seller's revenue ($240,000 / $2,000,000), yet its departure removes approximately 83% of adjusted profit ($144,000 / $174,000) because the other modeled costs remain. That calculation measures dependence. It does not assign 83% of the asking price to the customer or establish the customer's standalone value. [S2-S3]

How much customer revenue is needed?

At the supplied 60% contribution rate, estimated operating profit equals $30,000 plus 60% of this customer's annual revenue. To reach $120,000, the required revenue is ($120,000 - $30,000) / 0.60 = **$150,000 a year**, or 62.5% of current purchases. This leaves no cushion.

ANNUAL PURCHASES FROM THIS CUSTOMER	ESTIMATED OPERATING PROFIT	DIFFERENCE FROM $120,000 GOAL
$0	$30,000	-$90,000
$120,000 (50% of current purchases)	$102,000	-$18,000
$150,000 (62.5%)	$120,000	$0
$180,000 (75%)	$138,000	+$18,000
$240,000 (100%)	$174,000	+$54,000

These are modeled results if purchases occur at the stated margin and other costs remain unchanged. They are not guaranteed profit floors. If additional recurring costs are C and the verified contribution rate is m, the required annual customer revenue becomes ($120,000 - $30,000 + C) / m. If the rest of the business produces a different profit, replace $30,000 too. Discounts, extra service requirements, late payment and default must be examined separately.

What a smaller closing payment does for cash

The cash model begins with $900,000, deducts the closing payment and $70,000 of fees and setup, then adds the supplied cash movements from both businesses. At $400,000 paid at closing, the opening balance after those payments is $430,000. The base combined monthly movements are -$60,000, $0, +$35,000 and +$38,000. [S1, S4, S6]

CASH SCENARIO	MONTH 1	MONTH 2	MONTH 3	MONTH 4
Base case	$370,000	$370,000	$405,000	$443,000
$40,000 receipt delayed to month 3	$330,000	$330,000	$405,000	$443,000
Largest customer lost at closing	$358,000	$346,000	$369,000	$395,000
Customer lost and receipt delayed	$318,000	$306,000	$369,000	$395,000

The loss cases assume the customer's $144,000 annual contribution is lost evenly at $12,000 per month. The combined case assumes the delayed receipt is separate from revenue already removed for customer loss. Verify both assumptions before relying on this forecast. The lowest balance is $306,000, only $6,000 above your minimum.

At the current $450,000 closing proposal, every displayed balance is $50,000 lower. The four scenario minima become $320,000, $280,000, $296,000 and $256,000. The modeled maximum closing payment that just preserves $300,000 in the combined case is $406,000. That is a four-month scenario boundary, not a general affordable purchase price.

The table does not include the initial investigation allowance, later professional fees beyond the supplied $25,000, an option fee, financing payments, income tax or further capital spending unless already covered in the inputs. Deduct each actual additional cash use once and recalculate. Confirm whether the $900,000 starting balance is before or after investigation spending. A dated schedule is required because monthly totals may hide earlier cash shortages.

Deferring more of the price changes your debt payments

If the total price stays $650,000 and the seller accepts $400,000 at closing, the remaining principal is $250,000. Under an illustrative four-year note with equal annual principal and 8% interest on opening principal, the payments are:

YEAR	PRINCIPAL	INTEREST	TOTAL PAYMENT
1	$62,500	$20,000	$82,500
2	$62,500	$15,000	$77,500
3	$62,500	$10,000	$72,500
4	$62,500	$5,000	$67,500
Total	**$250,000**	**$50,000**	**$300,000**

Total price and interest would be $700,000 including the $400,000 closing payment, before fees and setup. The supplied $450,000 plus $200,000 note instead totals $690,000 including interest. Paying $50,000 less at closing therefore increases total interest by $10,000 under these assumptions. Neither arrangement has been accepted by the seller. Debt payments affect cash, even though they are excluded from the defined operating-profit goal.

Compare waiting with expansion on the same basis

An illustrative option price must use verified earnings

The seller's $650,000 asking price divided by $320,000 stated earnings gives a multiple of 2.03125. Using that exact multiple solely as an illustration produces the following prices. It is not an independent valuation or a proposed market standard.

VERIFIED EARNINGS BEFORE REPLACEMENT COSTS	ILLUSTRATIVE PRICE	OPERATING PROFIT AFTER $146,000 REPLACEMENT COSTS
$320,000	$650,000	$174,000
$288,000 (10% lower)	$585,000	$142,000
$176,000 (largest customer lost)	$357,500	$30,000

The lower price after customer loss does not make the profit requirement pass. Define earnings consistently, reconcile them to records and review whether the historical period reflects ongoing performance. Include all replacement costs and any further changes before considering exercise.

Waiting reduces the time available to earn year-two profit

ILLUSTRATIVE OPTION PERIOD	CLOSING MONTH, ALLOWING TWO MONTHS TO COMPLETE	MONTHS OWNED IN YEAR TWO	YEAR-TWO PROFIT AT SETTLED RATE
6 months	8	12	$174,000
9 months	11	12	$174,000
12 months	14	10	$145,000

This assumes the two-year clock begins now and the business earns $14,500 a month immediately after closing. No transition losses are supplied. If the goal is an annual rate by month 24, all three timings can fit under that assumption. If the goal is $120,000 actually earned in months 13-24, the 12-month option leaves only $25,000 for transition losses and other reductions. Waiting does not automatically fail the deadline; the actual schedule and losses decide it.

An option can buy observation time only if the agreement provides useful access and the period includes the event you need to observe, such as renewal. Exclusivity can prevent another sale only if agreed. No option fee, exclusivity or reporting rights are established in this case. Negotiation must compare those benefits with the cost and lost operating income.

Expansion has its own demanding assumptions

Each proposed annual expansion customer contributes $50,000 x 60% = $30,000 before the additional $60,000 support cost. The estimated annual operating profit is therefore $30,000 multiplied by the number of new customers, less $60,000. [S5]

NEW ANNUAL CUSTOMERS	ANNUAL PROFIT WITH $60,000 SUPPORT	DIFFERENCE FROM GOAL
5	$90,000	-$30,000
6	$120,000	$0
7	$150,000	+$30,000
8	$180,000	+$60,000

With five customers and $80,000 support costs, profit falls to $70,000. Six equally sized customers each represent about 16.7% of the new revenue; expansion still has customer concentration. The full sales timetable, funding needs and delivery capacity are unknown.

For scale, the competitor's largest customer contributes $144,000 before shared costs. That equals 4.8 expansion customers before expansion's support cost. Producing $144,000 after the additional $60,000 support cost requires 6.8 equivalent customers, or at least seven whole customers at the assumed economics. This is a size comparison; it does not establish demand or make acquisition preferable by itself.

The unsupported $400,000 cross-selling forecast remains excluded. Eight new annual sales at $50,000 would produce that revenue only if those customers actually buy, and their costs and overlap must be verified. Nine organizations on the supplied list already buy the proposed service. Their existing purchases cannot become additional revenue through a change of ownership. [S7]

Why the plan could still fail

The strongest objection is that the customer requirement may make an otherwise acceptable purchase impossible: customers often have their own purchasing constraints, and this case supplies no willingness to commit. The recommendation retains the requirement because the supplied loss scenario misses the profit goal by $90,000. If new verified facts show adequate replacement revenue, removable costs or another credible way to satisfy all goals, reconsider the requirement using those facts.

POTENTIAL FAILURE	WHAT TO ESTABLISH EARLY	RESPONSE
Customer will not make an adequate commitment.	Ask about renewal timing, service needs and purchasing authority through the agreed seller process.	Investigate an option only if time could resolve the issue; otherwise prepare expansion or pause.
Contract has weak minimums or costly concessions.	Calculate net revenue, delivery costs and termination consequences.	Recompute profit. A $120,000 purchase minimum yields only $102,000 modeled profit at the supplied margin.
Customer signs but cannot pay or disputes service.	Review payment history, ability to pay, service requirements and remedies.	Model delayed receipts and default; preserve cash and resolve the delivery issue.
Seller or account employee performs work the replacement plan misses.	List duties and obtain the people's actual commitments.	Price the missing work and recalculate profit, cash and owner hours.
Option-period earnings are distorted.	Obtain records and consistent accounting definitions.	Reconcile the results; do not exercise on unverified earnings.
Cash deteriorates after month four.	Extend the dated forecast through takeover and note repayment.	Change funding or terms before commitment; do not treat the four-month table as sufficient.
Purchase and expansion work exceed your available hours.	Track all owner work, including preparation and adviser coordination.	Sequence the tests. Two six-hour tests require twelve hours weekly and exceed the eight-hour ceiling.

Test combined setbacks without mixing incompatible assumptions

The $306,000 cash low represents complete customer loss plus a delayed receipt at a $400,000 closing payment. The $102,000 annual profit scenario represents retention of half the customer's purchases. They are different scenarios and must not be presented as the results of one combined test. For any actual agreement, rebuild both profit and cash using the same customer purchases, cost savings, collection dates and transition assumptions.

A customer commitment and a handover plan complement each other: the commitment specifies purchases while the handover supports delivery. Retaining an employee does not establish customer retention, and retaining the customer does not establish employee availability. Both require their own examination. Payment protections can limit what you lose on the purchase; they do not create missing operating revenue.

How this answer changes the original recommendation

The original dossier already established the estimated $174,000 annual profit, the $30,000 result after losing the largest customer, the cash constraints, the staged seller investigation, and possible retention-linked payment protections. Those findings are retained. Customer dependence is not a new discovery in this document.

The lateral approach asks whether the customer revenue the purchase depends on can be committed before you complete the acquisition. It develops the customer requirement, calculates the $150,000 annual purchase threshold at the supplied margin, and evaluates a right to buy later when timing prevents an immediate commitment. The detailed action plan turns those proposals into questions, responsibilities and decisions.

Both analyses support the same limited first investigation. The recommendation is modified by specifying the customer requirement and the conditional option route. Reaching the same initial action can be useful when the added work explains what must be learned and how the subsequent decision changes. Agreement is not independent corroboration here: the original analysis was available during development and this rebuild.

What verification establishes in this document

The decisive arithmetic was recalculated from the supplied inputs: adjusted profit, customer loss, purchase thresholds, four-month cash scenarios, seller-note payments, option prices, deadline illustrations and expansion sensitivities. The action sequence distinguishes the initial allowance from later work and retains the same purchase requirement throughout. External sources support only the limited contract, information-sharing and option mechanisms identified below. No real seller records, customer agreements or adviser quotes have been verified.

Final recommendation: run the bounded investigation with the customer commitment as a central question, while continuing to examine the whole business. Pursue purchase only when the commitment and the other requirements are supported. Consider an option where waiting could resolve a specific timing obstacle at an acceptable cost. Otherwise prepare the separate expansion test or pause.

What scrutiny changed and what remains unresolved

The earlier working position favored a customer commitment, an option or a selected-contract purchase over buying without a commitment. Subsequent scrutiny removed the selected-contract route from the recommended actions and rejected allocation of the asking price by profit share. The strongest comparison remains the original seller investigation with retention-linked payment protections, together with expansion. The record below distinguishes actual calculations and corrections from agreements that remain unknown.

REVIEW QUESTION	FINDING	EFFECT ON THE ANSWER
1. Are the decisive inputs supported?	Financial figures come from the fictional case. Seller accounts, customer contracts, fees and staffing commitments are not independently verified.	Retain the figures as supplied estimates. Do not describe any route as proven feasible.
2. Does the starting point overlook the rest of the business?	The largest customer explains a large profit loss, but its share of company value cannot be inferred from that loss. Other customers, liabilities and services still matter.	Remove the former $538,000 allocation. Retain whole-business diligence and the buy-versus-expand comparison.
3. Do the calculations reproduce?	Adjusted profit, customer thresholds, cash scenarios, seller-note payments, option prices, waiting periods and expansion sensitivities are recomputed from the stated assumptions.	Use the exact price multiple for calculations. Distinguish customer-loss cash cases from partial-retention profit cases.
4. Are alternatives assessed against the same goal?	Immediate purchase, an option, expansion, ordinary purchase diligence and pausing address different information and commitment choices.	Compare each with the same profit, cash, time and deadline requirements. Retain the original investigation as a serious comparison.
5. How could the proposal fail?	Customer refusal, unaffordable concessions, payment failure, missing duties, distorted option results and later cash shortages could each defeat it.	Carry these issues into the seller questions, verification tasks and stop-or-continue decisions.
6. Do corrections change other parts of the answer?	A contract is not a profit guarantee; a 12-month option does not automatically fail the deadline; a lower closing payment increases later note payments.	Carry those limits into the opening, tables, action plan and financial analysis.
7. Does the final recommendation follow?	The available information supports a bounded investigation and conditional proposals, not purchase approval.	Retain the two-week first step. Specify the additional customer questions and the next decision for each response.

The specific findings that changed or qualified the proposal

A customer conversation establishes intentions only; an adequate agreement needs review of minimums, price, duration, exit rights and ability to pay. A contract can improve continuity but is not the only conceivable way to protect profit: replacement revenue or cost redesign could also matter if supported. Payment deferral alone does not improve operating profit. Expansion remains exposed to customer loss; six equal new customers each represent about 16.7% of its new revenue.

A 12-month option plus two months to close leaves ten months of ownership in year two in the illustration, producing $145,000 at the settled rate. That leaves $25,000 for transition losses if the goal is $120,000 earned in year two. The $306,000 cash low instead describes full customer loss plus the separate receipt delay at a $400,000 closing payment. The $102,000 profit figure describes retaining half of this customer's purchases; it must not be combined with that cash result as though the assumptions match.

The 10% concentration screen, 30-day later negotiation limit and illustrative option periods are planning or contextual choices. The 50% and 75% customer-purchase figures are scenarios; the calculated threshold is 62.5% under the supplied assumptions. An earlier 25%-of-collections idea belonged to the discarded selected-contract route and is not part of the recommendation.

How the lateral analysis meets its purpose

REQUIREMENT	WHAT THIS REPORT PROVIDES
A different starting point.	It asks whether continuity of the customer revenue can be secured before deciding to buy, then compares the resulting arrangements with expansion. It does not present customer dependence itself as a new discovery.
A complete answer.	It supplies a recommendation, alternatives, calculations, failure analysis, sources and a numbered action sequence. Unknown commitments remain explicit.
An honest account of prior access.	The original dossier was available during development and revision. This is not a blind answer or independent corroboration.
An accurate account of review.	The source dossier records Claude's self-review and earlier feedback from the method owner and another AI. This revision reports its own recomputations and document checks without implying a new independent review.
A preserved comparison.	The supplied earlier dossiers remain the comparison record. No claim is made that the present answer was written before exposure to the original recommendation.
A supported conclusion even if the first action is the same.	The two-week investigation remains. The added value is the customer requirement, its calculated threshold, the conditional option and the detailed actions needed to evaluate them.

How the work was produced

Claude produced the supplied lateral dossier after seeing material from the original Decision Dossier, the Decision Brief, the Decision Card and part of the Confidence Audit. This revision was assembled by ChatGPT with the original and lateral documents available. The supplied dossier describes a saved working record; that description is retained as a report of the earlier process, not a newly verified blind record. Review of an earlier answer by another model does not establish independent validation of this final document.

The research topics include contingent payments, customer concentration, contract assignment and consent, options, handover, sale multiples and information exchange between competitors. No verified customer-loss rate specific to this small service-business sale or published option-fee benchmark was established. Those gaps are not filled with invented probabilities or assumed market fees.

Case inputs and sources

The business scenario is fictional. The case inputs below are the basis for the numbers; they are not outside research. The original Decision Dossier and the supplied Lateral Intelligence Dossier were available during this rebuild. This is a revised presentation and analysis of that work, not a blind second examination.

REFERENCE	INPUT USED
S0-S1	Buy or expand; $120,000 added annual operating profit by year two; $300,000 cash during takeover; eight added owner hours weekly; $900,000 cash; initial purchase review capped at two weeks, $2,000 and six hours weekly.
S2-S3	$2 million seller revenue; $1.68 million expenses; $320,000 earnings excluding the seller's pay; $110,000 replacement manager, $24,000 pay changes, $12,000 systems; largest customer $240,000 revenue with 40% avoidable costs.

REFERENCE	INPUT USED
S4	$650,000 asking price; $25,000 fees and $45,000 setup; unaccepted buyer proposal of $450,000 at closing and $200,000 repaid over four years at 8% on opening principal.
S5	Six annual expansion customers at $50,000, 60% contribution and $60,000 support; six-week test, $8,000 cap, six hours weekly, 20 prospects and at least two paid trials delivered within tested cost and time.
S6	Existing-business cash +$20,000 monthly for months 1-4; acquired-business cash -$80,000, -$20,000, +$15,000, +$18,000 before listed exclusions; a $40,000 receipt can move from month 1 to month 3. Later cash and actual daily timing are absent.
S7	Unverified $400,000 additional-sales forecast; 25 organizations, nine existing buyers; eight proposed new annual sales. No buyer tests or purchases substantiate the forecast.

External sources below were accessed on October 24, 2026. Their jurisdiction and subject limits matter. They do not establish that the seller or customer will agree, that the business is fairly priced, or that the proposed arrangements will meet the goals.

R1. Information exchange between competitors

Federal Trade Commission, "Avoiding antitrust pitfalls during pre-merger negotiations and due diligence," March 20, 2018. Supports staged, limited disclosure and safeguards for sensitive information while the businesses remain independent. Application to the actual transaction requires counsel. Read the FTC guidance.

R2. Contract transfer and consent

Clark Wilson LLP, "Acquiring Contracts in the Purchase of a Business," May 14, 2013. Canadian legal commentary explaining why assignment, consent and transaction structure can affect contract continuity and timing. It is not a determination of the governing law or contract in this case. Read the contract-transfer article.

R3. The option mechanism

Boyes Turner, "What is an Option Agreement?" UK property guidance. Used only to explain a right to purchase within an agreed period and the need to define terms. The business-purchase proposal here is an adaptation; the source supplies no business-sale fee, customary duration or seller-acceptance rate. Read the option explanation.

Full research register

The eleven references from the earlier dossier are retained below, with their purpose and limits. The three R references above support the current contract, information-sharing and option discussion; E8 and E9 overlap with R3 and R2. Repeated references are not independent support. E11 discusses the same FTC guidance linked directly as R1.

E1. Pricing and retention terms in small accounting-practice sales

Joel Sinkin and Terrence Putney, "Pricing issues for small firm sales," Journal of Accountancy, October 2014. Explains interactions among upfront price, payment duration, client retention and transition. Sector-specific practitioner guidance, not a valuation for this case. Read source.

E2. Why acquisitions use earnouts

Srikant Datar, Richard Frankel and Mark Wolfson, "Earnouts: The Effects of Adverse Selection and Agency Costs on Acquisition Techniques," Journal of Law, Economics, and Organization, 2001. Research on information and incentive issues in contingent acquisition payments. The publication record was located; the Stanford page blocked full retrieval in this revision. No case-specific payout assumption is drawn from it. Publication record.

E3. How earnout terms vary

Matthew D. Cain, David J. Denis and Diane K. Denis, "Earnouts: A study of financial contracting in acquisition agreements," Journal of Accounting and Economics, 2011, 51(1), 151-170. The abstract describes variation in measures, periods, payment forms and sensitivity to performance. Full-text access is restricted; no detailed empirical result beyond the abstract is relied on here. Read abstract and publication details.

E4. Earnout payments and milestones

SRS Acquiom, "2026 M&A Earnout and Milestone Trends," the report cited in the earlier dossier. Its supplied PDF link did not reopen during this revision; the prior 21%-paid-to-date qualification is preserved as an attributed research finding, not used as a forecast. The publisher's accessible 2026 M&A Earnouts & Claims Study summary separately reports 21 cents per potential earnout dollar outside life sciences. Its dataset and metrics must not be assumed identical to the earlier sample. Earlier report link; current publisher summary.

E5. Private acquisition deal terms

K&L Gates, "2025 ABA Private Target Mergers & Acquisitions Deal Points Study," December 19, 2025. Discusses the ABA study and its middle-market sample. Purchase prices range from $25 million to $900 million, so it cannot establish customary terms for this $650,000 proposal. Read source.

E6. Seller training and handover

BizBuySell, "Buyer Training After a Business Sale: How Much Should Sellers Provide?" Practitioner guidance on specifying training duration, hours and responsibilities. Does not establish this seller's available time, fee or willingness. Read source.

E7. Service-business sale benchmarks

BizBuySell, "Service Business Valuation Multiples & Financial Benchmarks," 2021-2025 transaction data. Reports 5,839 sold listings and a median earnings multiple of 2.38. Broad, reported-market data with sector and earnings-definition limitations; not a valuation opinion on this business. Read benchmark.

E8. Option agreements

Boyes Turner, "What is an Option Agreement?" Same source as R3. UK property guidance used only to explain the general mechanism and terms to define. No business-sale fee or seller-acceptance benchmark is supplied. Read source.

E9. Acquiring business contracts

Clark Wilson LLP, "Acquiring Contracts in the Purchase of a Business," May 14, 2013. Same source as R2. Canadian legal commentary on transfer, consent and structure. The actual contract and governing law require review. Read source.

E10. Customer concentration

BizBuySell, "Evaluating Customer Concentration When Buying a Business." Explains concentration risk and uses 10% of revenue as a rule of thumb. It does not establish a probability of loss, a safe threshold, or a discount to apply to this purchase. Read source.

E11. Information exchange during acquisition discussions

K&L Gates, "FTC Offers Advice on Avoiding Violations in Pre-Merger Negotiations and Due Diligence," April 20, 2018. Legal commentary on limiting sensitive disclosure and premature coordination. The underlying FTC publication is linked directly as R1; the two are not independent studies. Read commentary.