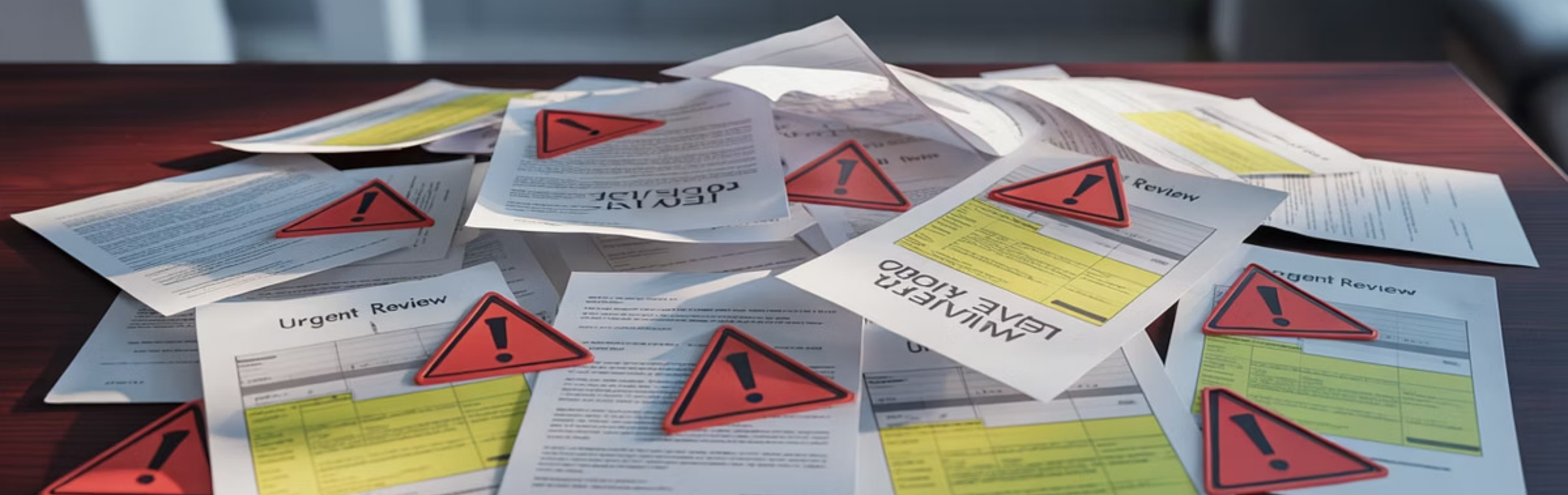




Hidden Dangers in SME Acquisitions: Legal Landmines Most Buyers Miss

Most acquisition risks aren't hidden in fine print, they're hiding in plain sight.

Swipe through to discover what your lawyers might miss.



Legal Due Diligence Isn't Just for Lawyers



Operational Risk

In founder-owned SMEs, legal issues expose business vulnerabilities, not just legal technicalities



Hidden Liabilities

Miss subtle signs and inherit unassignable contracts, unenforceable IP rights, and employee liabilities

4 Critical Categories Every Buyer Must Examine

Ownership & Structure

Cap tables, shareholder agreements, silent partners

Key Contracts

Customer, supplier, landlord, IP agreements

Employment & HR

Contracts, benefits, litigation risks

Compliance

Licenses, GDPR, industry-specific regulations

Red Flags in Founder-Owned Businesses



Personal Contracts

Agreements in founder's name instead of company



Verbal Agreements

Unwritten deals with critical suppliers



IP Uncertainty

Unclear ownership, especially with contractor-built tech

These legal issues can derail transition planning.

European Deal Nuances That Trip Up Buyers

UK: Asset purchases trigger TUPE regulations.

Employees must transfer on existing terms, and failure to follow the process can lead to unfair dismissal claims and financial penalties.

France: SME sales require mandatory employee notification.

Under Loi Hamon, employees must be informed pre-closing. In firms with a CSE, formal consultation may delay closing if not timed correctly.

Germany: Non-compete clauses must include fair compensation.

To be enforceable post-termination, restrictive covenants typically require 50% of prior salary during the restricted period.

Contract Assignment: The Silent Deal-Killer



Client Contracts

May prohibit assignment to new owners



Software Licenses

Often non-transferable without vendor approval



Landlord Agreements

Many are personal to the seller

Always identify change-of-control triggers before closing.



Best Practices from Successful Deals



Complete Records

Obtain full Companies House records, SHAs, board resolutions



Founder Warranties

Get representations on ownership, litigation, compliance, tax



IP Verification

Confirm IP is assigned to company, not individuals or vendors



Turn Legal DD Into Strategic Advantage

Smart buyers use legal due diligence not just for risk mitigation, but as a powerful deal design tool to shape warranties, structure earn-outs, and build founder handover incentives.

Thinking about your next acquisition? Don't navigate these waters alone.

Archimax supports business buyers with strategy, origination, deal execution and post-acquisition support.

 Let's talk: info@archimax.solutions

 Learn more: www.archimax.solutions