

OPERATION HYDRA RED FLAGGED

(SAMPLE) CONTRACT #2

Stock Purchase Agreement (Software Firm)

1. Parties

Buyer: TechFusion Inc.
Seller: CodeCraft Solutions, LLC

2. Purchase Price

USD 20,000,000 cash at closing.

3. Representations & Warranties

- Seller warrants that all software licenses are assignable.
- No undisclosed litigation.

4. Covenants

- Seller and its affiliates shall not compete with Buyer within the United States for a period of 10 years.

5. Assignment Clause

This agreement may not be assigned by either party without the express written consent of all parties involved.

6. Confidentiality

The parties agree to keep all information confidential, but the clause omits any survival period.

7. Indemnification

Claims must be noticed within 60 days of discovery, stating the amounts claimed.

8. Governing Law

Delaware law; disputes resolved in state court.

Red-flags (10+)

1. Non-compete duration (10 years) and geographic scope (entire US) – likely unenforceable.
2. Assignment restriction on key contracts – may block transfer of critical supplier agreements.
3. No survival period for confidentiality – leaves data exposed after closing.
4. Indemnity notice clause lacks loss estimation – could invalidate claims.
5. No escrow or holdback – buyer has no security for post-closing breaches.
6. No limitation of liability – unlimited exposure.
7. No specific definition of “affiliates” – could be overly broad.
8. No carve-out for employee retention – may conflict with labor laws.
9. No representation that seller’s software licenses are free of third-party restrictions – hidden IP risk.
10. No post-closing covenant to assist with transition – integration risk.
11. No jurisdiction clause for arbitration – potential court backlog.
12. No “material adverse change” condition – buyer cannot walk away if business deteriorates.