

# FINANCIAL ADJUSTMENTS MEMO

## FINANCIAL ADJUSTMENTS MEMORANDUM

**To:** Deal Team  
**From:** Finance Department  
**Date:** December 23, 2024  
**Re:** Purchase Price Adjustments - StartupXYZ Acquisition

Following our review in connection with the **Document: Due Diligence Report**, we recommend the following adjustments to the purchase price as set forth in **Exhibit A - Financial Terms** of the **Document: Acquisition Agreement**.

### 1. WORKING CAPITAL ADJUSTMENT

Target working capital: \$1,200,000  
Estimated closing working capital: \$980,000  
Adjustment: (\$220,000)

### 2. DEBT ADJUSTMENT

Previously disclosed debt: \$1,500,000  
Additional identified debt: \$175,000 (capital lease obligations)  
Adjustment: (\$175,000)

### 3. REVENUE RECOGNITION ADJUSTMENT

Deferred revenue requiring restatement: \$340,000  
Impact on EBITDA: (\$85,000)  
Implied value adjustment (at 15x): (\$1,275,000)

### 4. CONTINGENT LIABILITY RESERVE

As noted in **Document: Risk Assessment Memo**, we recommend establishing reserves for:  
- Customer concentration risk: \$500,000  
- Integration contingency: \$800,000  
Total reserve: \$1,300,000 (to be held in escrow per **Exhibit C - Earnout Terms**)

### 5. SUMMARY OF ADJUSTMENTS

Original Purchase Price: \$45,000,000  
Working Capital Adjustment: (\$220,000)

Debt Adjustment: (\$175,000)  
Revenue Recognition: (\$1,275,000)  
**Adjusted Purchase Price: \$43,330,000**

Plus escrow reserve: \$1,300,000  
**Total Cash Required at Closing: \$44,630,000**

## **6. PAYMENT STRUCTURE**

As revised from **Document: Acquisition Agreement** Section 2.2:

- (a) Cash at closing: \$28,330,000 (adjusted)
- (b) Stock consideration: \$10,000,000 (per **Exhibit B - Stock Valuation**)
- (c) Earnout: \$5,000,000 (unchanged, per **Exhibit C - Earnout Terms**)
- (d) Escrow: \$1,300,000 (18-month release schedule)

These adjustments have been discussed with Seller's representatives and are subject to final negotiation.

Please refer to **Document: Closing Checklist** for timeline and requirements.