OPPORTUNITY ASSETS GROUP, LLC

# A SAFE AND SIMPLE WAY TO INCREASE AFTER-TAX PROFITS IN C CORPORATION M&A TRANSACTIONS

In the sale or purchase of a business owned by a taxable C corporation, there is almost always a significant spread in the purchase price, depending upon whether the transaction is structured as a sale by the corporation of its assets or a sale by the shareholder of the company shares.

Buyers invariably will pay more for the assets of such a company than they will pay to acquire the shares of the corporation because:

(a) An asset purchase allows the buyer to enjoy a tax basis step-up equal to the purchase price paid, for future depreciation or amortization deductions, whereas, in the purchase of stock, the buyer just inherits the (often low) asset tax basis of the corporation itself.

(b) If the buyer wants later to sell all, or any portion, of the assets acquired in a stock purchase transaction, the corporation will, itself, incur an immediate tax liability on the built-in taxable gain.

(c) All future growth in the value of the business will also be subject to a potential corporate tax when the business is resold to a single or perhaps multiple buyers of different divisions or assets.

(d) Buyers prefer not to assume any risk of inheriting latent corporate level legal, tax, environmental or other types of liabilities, which risks are avoided in an asset purchase.

THERE IS AN EASY WAY TO REDUCE THE VALUE GAP BETWEEN THE TWO TYPES OF TRANSACTIONS.

OPPORTUNITY ASSETS GROUP (“OAG”) IS WILLING TO PURCHASE THE SHARES OF THE SELLING COMPANY AND SIMULTANEOUSLY SELL THE ASSETS OF SUCH COMPANY TO THE ULTIMATE BUYER, THEREBY INCURRING THE CORPORATE TAXABLE INCOME INVOLVED IN THE SALE.

In such a transaction, OAG, not the stock seller nor the asset buyer, will incur the corporate taxable income generated by the transaction. As compensation for doing so, OAG will purchase the shares of the selling company at some discount from the proceeds received from the simultaneous asset sale. This discount will, however, be substantially smaller than the tax (or the discount of stock price to the buyer) that would otherwise result from the transaction.

Working with DLA Piper and other tax professionals, OAG has developed a business model and tax strategy, based upon investing the capital gains realized on such an asset sale into a Qualified Opportunity Zone Fund which will afford OAG certain tax and business advantages that OAG believes will allow it to achieve substantial profits, on a long-term basis.

## FIVE EASY STEPS TO A MAJOR INCREASE IN PROFITS

1. Request that bidders for the business make two offers:
   (a) One for stock
   (b) One for an asset purchase.

2. If there is a significant price difference between the two offers, sign an NDA with OAG and provide us access to your accounting information to enable us to determine how much capital gain tax would be triggered, in an asset sale, to the top bidder. There is no charge for this analysis.

3. If, after review, OAG believes that we can offer you millions of dollars more after-tax proceeds than you would realize from a sale to either the top stock bidder or the top price offered by an asset buyer, we will make you a stock purchase offer for that increased amount.

4. You would then negotiate a final asset sale agreement with the ultimate buyer. OAG will not be directly involved in the sales negotiation with the asset buyer. OAG simply buys the stock of the C corporation immediately before the asset sale. Hence, the buyer will not need to know anything about OAG involvement.

5. Sell the stock to OAG at the higher price and the company will sell the assets to the ultimate buyer on the same day.

PURCHASERS CAN ALSO BENEFIT FROM THE OAG PLAN:

If you wish to acquire the assets of a C corporation business, instead of purchasing the stock, the steps are similar:

A. Determine what you (the Buyer) would pay for the corporate stock without a tax basis step-up in the assets.

B. Determine what price you (the Buyer) would be willing to pay for the purchase of the assets in a direct asset acquisition.

C. If there is a significant spread between the value you would be willing to pay for an asset purchase versus a stock purchase, provide OAG with the accounting information for OAG to determine how much taxable capital gain would be generated to the target corporation from an asset sale.

D. If, after review, OAG believes that we can pay the Seller a higher stock price than other bidders and still sell on to you (the Buyer) at or below your target asset purchase number, we will make you an offer to do so.

E. You would then negotiate to purchase the stock at our higher price. Just prior to closing, we will step into your shoes as stock buyer and simultaneously sell the business assets to you at the agreed price. Since we can absorb the tax cost inherent in the corporate sale of the assets, we can either improve your stock bid number to beat the competition and/or reduce the price that you would otherwise have to pay for the assets.

E. Similar to the Seller situation above, the OAG involvement, on behalf of the asset buyer, need not be revealed to the stock seller.

The exact amount of premium value that OAG can add to any such situations will vary. However, we believe that in the majority of transactions, we will be able to make an offer that will generate millions of dollars in increased profits on either the Seller or Buyer side of the transaction.

INTERESTED PARTIES SHOULD CONTACT:

Douglas Wolf

doug@oag-us.com | 415-426-1508 | https://oag-us.com/