# Vendor Finance in a Management Buyout: Bridging the Funding Gap without Losing Control

*A Repayment-Led Framework for Seller Notes, Security, Governance and Downside Protection*

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## Abstract

*Vendor finance can make a management buyout executable when senior lenders and management equity do not fund the full purchase price. It also leaves the seller exposed to the business, management team and capital structure after control changes. A seller note therefore requires more than an agreed principal amount and coupon. This paper develops a repayment-led framework for sizing, pricing, documenting and governing vendor finance in an MBO. The analysis begins with enterprise value, equity value, sources and uses, transaction costs, minimum operating liquidity, senior debt capacity, management cash, external equity and the residual funding gap. It then measures the seller note at both face value and economic value, considering cash interest, payment-in-kind interest, original issue discount, amortisation, bullet repayment, contingent consideration, market yield, expected credit loss and tax. An integrated model tests earnings, working capital, capital expenditure, tax, senior-debt service, covenant headroom and cash available for seller-note repayment. Structural design covers borrower and guarantor perimeter, security, ranking, turnover, standstill, payment blockage, permitted payments, cash sweeps, information rights, consent matters, transfer, prepayment, default, enforcement and intercreditor arrangements. Governance separates creditor protections from day-to-day operating control so management can run the business within agreed risk limits. Downside cases quantify delayed repayment, covenant breach, restructuring, enforcement and recovery. The framework draws on current official accounting, company-law and prudential sources. Five figures, five tables, eight frequently asked questions and twenty-six primary or authoritative references support implementation. Numerical values are illustrative analytical scenarios. Transaction-specific conclusions require verified facts and authorised legal, tax, accounting, valuation, financing, insolvency and regulatory advice.*


JEL Classification: G32, G33, G34, K22, D86

Keywords: vendor finance, seller note, management buyout, MBO, acquisition finance, subordinated debt, security, covenants, cash sweep, repayment capacity

## 1. Define the funding gap

The transaction team should reconcile purchase price, costs, liquidity, senior facilities, management cash and external equity. The immediate output is a controlled sources-and-uses bridge with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether vendor finance fills a real and affordable residual requirement. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

The framework should assign responsibility across the seller, management buyers, equity investors, senior lenders, legal counsel, tax advisers, accountants, valuation specialists and security agents. Definitions, calculation rules, information rights, decision thresholds, cure periods and record retention should be explicit. Any departure needs a stated reason, decision owner, impact analysis, mitigating control and deadline.

At each gate, decision makers should test affordability, liquidity, ranking, recoverability, incentives, operating flexibility and execution risk together. Material gaps remain visible until evidence is complete, advice is current, exceptions are resolved or accepted by the authorised body, and the repayment case can withstand credible downside scenarios.

## 2. Separate price from financing

The transaction team should distinguish enterprise value, equity value, deferred payment, contingent price and creditor economics. The immediate output is a controlled price-and-finance bridge with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether headline consideration embeds a financing concession or contingent value. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 3. Establish the borrower perimeter

The transaction team should identify acquisition vehicles, operating companies, guarantors and structural subordination. The immediate output is a controlled obligor map with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine which cash flows and assets can lawfully support repayment and enforcement. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 4. Test management equity

The transaction team should verify personal cash, rollover, external equity and future funding commitments. The immediate output is a controlled equity-evidence schedule with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether owners have credible capital at risk before seller exposure is accepted. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 5. Size senior debt capacity

The transaction team should model leverage, debt service, amortisation, covenant headroom and lender conditions. The immediate output is a controlled senior-capacity certificate with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether the buyout remains financeable across credible downside cases. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 6. Set minimum operating liquidity

The transaction team should forecast weekly receipts, payments, working capital, capex, tax and contingency needs. The immediate output is a controlled minimum-cash policy with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether seller-note payments would impair ordinary-course resilience. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 7. Choose the vendor-finance instrument

The transaction team should compare loan notes, deferred consideration, earn-outs, preference instruments and hybrids. The immediate output is a controlled instrument decision matrix with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether contractual form matches the intended risk, return, tax and control profile. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 8. Measure face and economic value

The transaction team should discount contractual cash flows at a market-consistent yield and expose financing concessions. The immediate output is a controlled fair-value bridge with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine how much present economic value the seller actually receives at completion. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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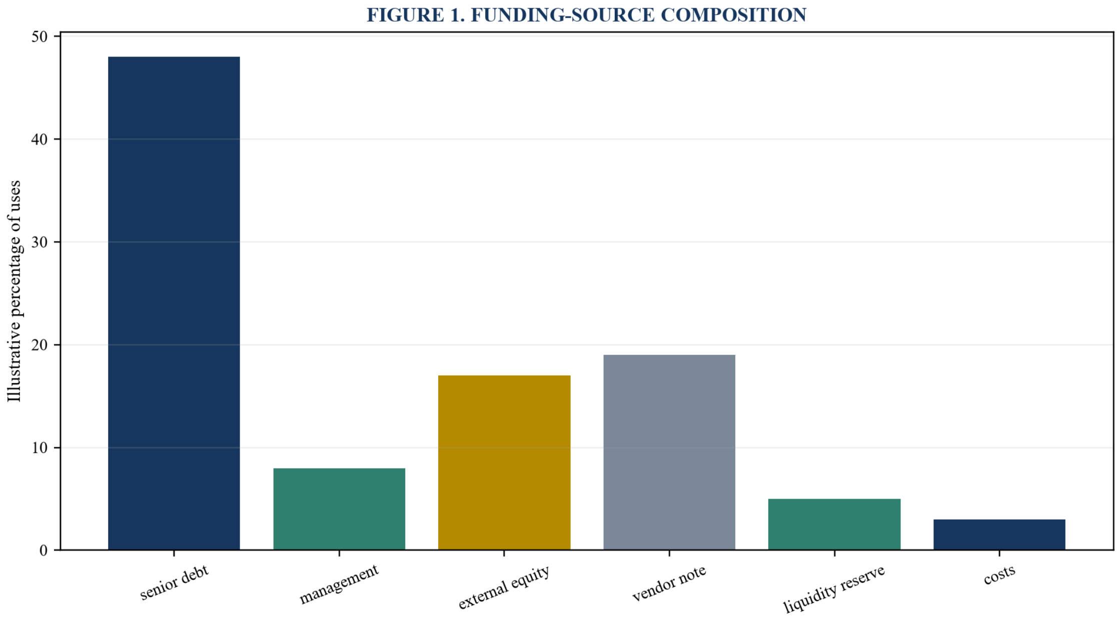
**Table 1. Sources-and-uses architecture**

| Funding layer | Primary evidence | Decision use |
|---|---|---|
| senior debt | commitments and covenants | capacity |
| management equity | verified funds | alignment |
| external equity | subscription terms | ownership |
| vendor finance | note and intercreditor terms | residual gap |

*Illustrative structure; transaction-specific facts and authorised advice govern.*

**Figure 1. Funding-source composition**




*Values are illustrative readiness indices and require company-specific evidence.*

## 9. Set cash and PIK pricing

The transaction team should allocate cash interest, payment-in-kind interest, fees, discount and step-ups. The immediate output is a controlled yield architecture with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether pricing compensates risk without exhausting operating cash. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 10. Design amortisation and maturity

The transaction team should compare scheduled amortisation, bullets, sculpted payments and refinancing milestones. The immediate output is a controlled repayment profile with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether debt service follows forecast cash generation and realistic refinancing capacity. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 11. Build the integrated cash model

The transaction team should connect operating performance, working capital, capex, tax and all financing flows. The immediate output is a controlled repayment-capacity model with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether the seller note can be repaid without circular or unsupported assumptions. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 12. Define cash available for debt service

The transaction team should set permitted deductions, reserves, leakage controls and distribution priorities. The immediate output is a controlled cash-waterfall definition with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine which verified cash can fund interest, amortisation and sweeps. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 13. Stress earnings and margin

The transaction team should vary revenue, price, volume, input cost, payroll and operational disruption. The immediate output is a controlled operating downside matrix with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine how quickly debt capacity erodes when performance falls below plan. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 14. Stress working capital

The transaction team should vary collections, inventory, supplier terms, seasonality and concentration. The immediate output is a controlled liquidity sensitivity with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether payment timing creates a cash shortfall despite accounting profit. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 15. Stress capital expenditure and tax

The transaction team should separate maintenance, growth, compliance and one-off investment from tax payments. The immediate output is a controlled reinvestment case with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether necessary investment and tax can be funded before seller-note service. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 16. Quantify refinancing dependence

The transaction team should test market access, leverage, pricing, maturity walls and lender appetite. The immediate output is a controlled refinancing dependency register with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether repayment relies on uncertain future debt rather than operating cash. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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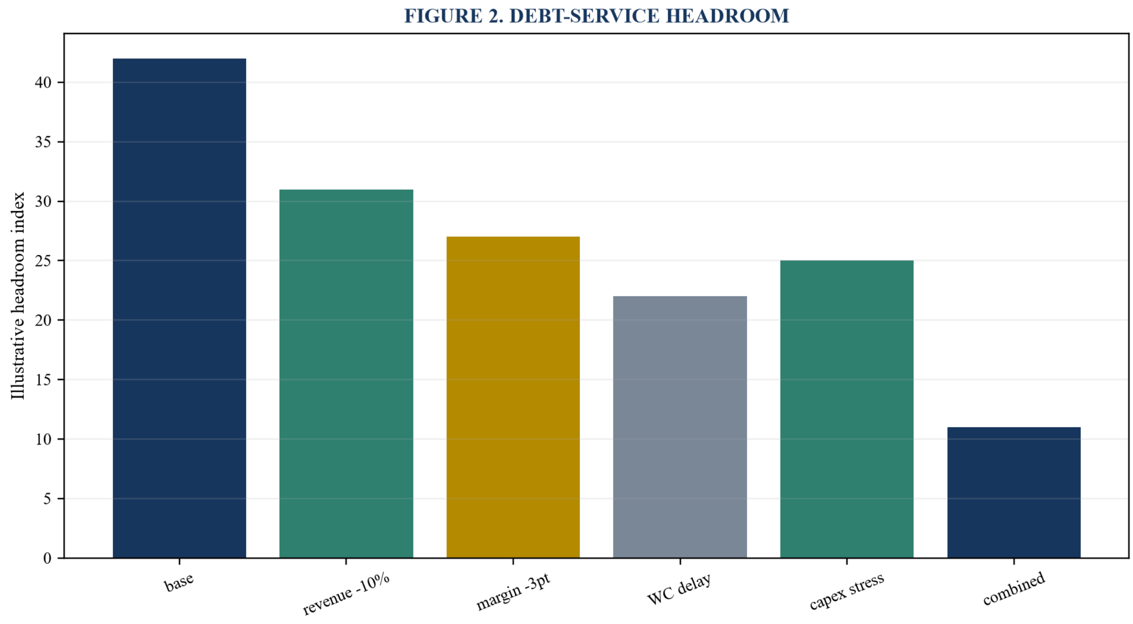
**Table 2. Seller-note term architecture**

| Term | Evidence | Risk controlled |
|---|---|---|
| pricing | cash and PIK yield | return |
| maturity | amortisation schedule | refinancing |
| ranking | intercreditor agreement | priority |
| security | perfected collateral | recovery |

*Illustrative fields; negotiated documents control.*

**Figure 2. Debt-service headroom**




*Values are illustrative readiness indices and require company-specific evidence.*

## 17. Choose security and guarantees

The transaction team should map shares, assets, receivables, accounts, insurance and guarantee capacity. The immediate output is a controlled security package with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether collateral is valuable, available, perfected and enforceable. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 18. Establish ranking

The transaction team should define structural, contractual and payment subordination across every creditor. The immediate output is a controlled ranking memorandum with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine where the seller sits in insolvency, enforcement and ordinary payment waterfalls. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 19. Negotiate intercreditor terms

The transaction team should set turnover, standstill, payment blockage, voting, enforcement and release mechanics. The immediate output is a controlled intercreditor term map with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether senior and seller remedies interact predictably under stress. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 20. Protect permitted payments

The transaction team should define scheduled interest, amortisation, cure rights and payment tests. The immediate output is a controlled permitted-payment schedule with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine when cash may lawfully and contractually reach the seller. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 21. Design the cash sweep

The transaction team should allocate excess cash after agreed liquidity, capex and senior obligations. The immediate output is a controlled sweep formula with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether upside accelerates repayment without starving the business. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 22. Set financial covenants

The transaction team should select leverage, interest cover, fixed-charge cover, liquidity and net-worth tests. The immediate output is a controlled covenant suite with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether early-warning triggers reflect the seller's actual risk. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 23. Set information rights

The transaction team should define budgets, accounts, forecasts, compliance certificates and event notices. The immediate output is a controlled creditor reporting calendar with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether the seller receives timely decision-grade evidence after losing control. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 24. Calibrate consent rights

The transaction team should identify debt, distributions, acquisitions, disposals, capex and related-party thresholds. The immediate output is a controlled reserved-creditor matters with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether protections prevent value leakage without paralysing management. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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**Table 3. Repayment-capacity scorecard**

| Driver | Base evidence | Downside test |
|---|---|---|
| EBITDA | customer and cost bridge | margin compression |
| working capital | ageing and seasonality | collection delay |
| capex | maintenance plan | required overspend |
| liquidity | weekly cash forecast | minimum headroom |

*Illustrative scenario design; verified cash-flow evidence controls.*

**Figure 3. Seller-note economic value**


*Values are illustrative readiness indices and require company-specific evidence.*

## 25. Control leakage and distributions

The transaction team should restrict dividends, management fees, shareholder loans and non-arm's-length transfers. The immediate output is a controlled leakage covenant map with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether value remains available to support the agreed creditor waterfall. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 26. Govern acquisitions and disposals

The transaction team should set baskets, proceeds application, valuation evidence and consent thresholds. The immediate output is a controlled portfolio-change protocol with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether asset changes preserve repayment capacity and collateral coverage. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 27. Design prepayment rights

The transaction team should address voluntary, mandatory, change-of-control and asset-sale prepayments. The immediate output is a controlled prepayment schedule with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether early repayment is allowed, required and economically fair. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 28. Control transfers and assignments

The transaction team should define permitted holders, competitor exclusions, confidentiality and participation rights. The immediate output is a controlled transfer protocol with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether the debt can move without creating strategic or operational harm. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 29. Define events of default

The transaction team should cover non-payment, covenant breach, misrepresentation, insolvency and cross-default. The immediate output is a controlled default taxonomy with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether triggers are objective, material and supported by appropriate cure periods. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

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## 30. Sequence remedies and enforcement

The transaction team should set notices, acceleration, security enforcement, appointment rights and sale process controls. The immediate output is a controlled remedies ladder with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether responses are proportionate and executable under governing law. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

The framework should assign responsibility across the seller, management buyers, equity investors, senior lenders, legal counsel, tax advisers, accountants, valuation specialists and security agents. Definitions, calculation rules, information rights, decision thresholds, cure periods and record retention should be explicit. Any departure needs a stated reason, decision owner, impact analysis, mitigating control and deadline.

At each gate, decision makers should test affordability, liquidity, ranking, recoverability, incentives, operating flexibility and execution risk together. Material gaps remain visible until evidence is complete, advice is current, exceptions are resolved or accepted by the authorised body, and the repayment case can withstand credible downside scenarios.

## 31. Model recovery under downside

The transaction team should apply collateral values, priority claims, costs, timing and insolvency discounts. The immediate output is a controlled recovery waterfall with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine what the seller may recover when the base case fails. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

The framework should assign responsibility across the seller, management buyers, equity investors, senior lenders, legal counsel, tax advisers, accountants, valuation specialists and security agents. Definitions, calculation rules, information rights, decision thresholds, cure periods and record retention should be explicit. Any departure needs a stated reason, decision owner, impact analysis, mitigating control and deadline.

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## 32. Address restructuring and waivers

The transaction team should set amendment thresholds, fees, information, standstill and new-money treatment. The immediate output is a controlled restructuring protocol with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether problems can be repaired without uncontrolled value transfer. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

The framework should assign responsibility across the seller, management buyers, equity investors, senior lenders, legal counsel, tax advisers, accountants, valuation specialists and security agents. Definitions, calculation rules, information rights, decision thresholds, cure periods and record retention should be explicit. Any departure needs a stated reason, decision owner, impact analysis, mitigating control and deadline.

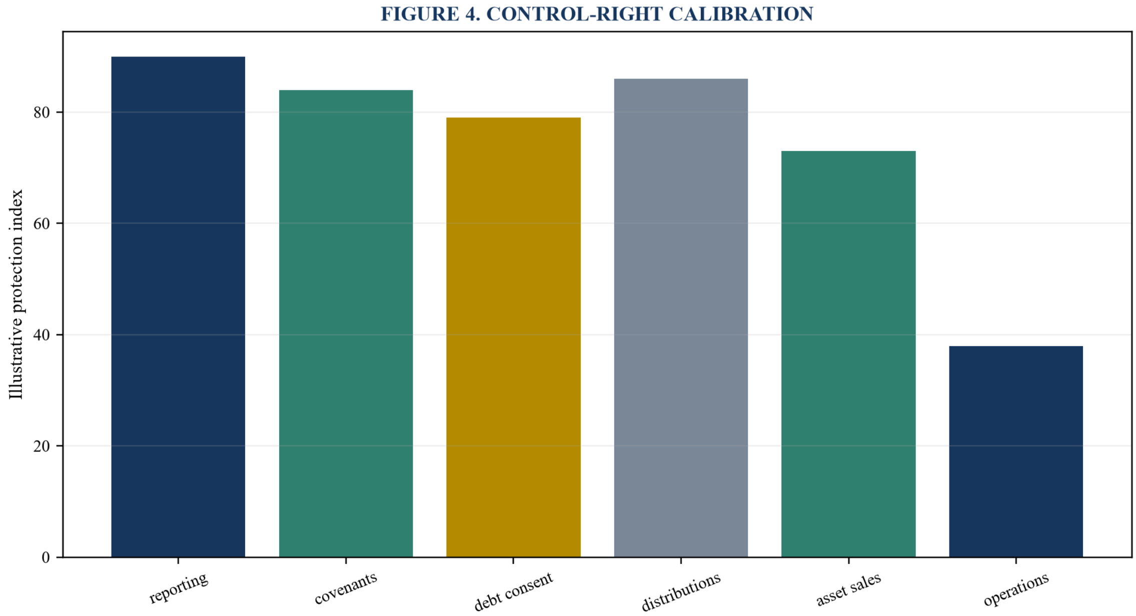
At each gate, decision makers should test affordability, liquidity, ranking, recoverability, incentives, operating flexibility and execution risk together. Material gaps remain visible until evidence is complete, advice is current, exceptions are resolved or accepted by the authorised body, and the repayment case can withstand credible downside scenarios.

**Table 4. Creditor-control matrix**

| Decision | Management authority | Seller protection |
|---|---|---|
| ordinary operations | permitted | reporting |
| new debt | threshold basket | consent above limit |
| distributions | payment test | restricted leakage |
| asset disposal | permitted basket | proceeds sweep |

*Illustrative controls; thresholds require transaction-specific calibration.*

**Figure 4. Control-right calibration**




*Values are illustrative readiness indices and require company-specific evidence.*

## 33. Account for the seller note

The transaction team should classify and measure the financial asset, effective yield and expected credit losses. The immediate output is a controlled accounting memorandum with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether reported value reflects contractual terms and credit risk. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

The framework should assign responsibility across the seller, management buyers, equity investors, senior lenders, legal counsel, tax advisers, accountants, valuation specialists and security agents. Definitions, calculation rules, information rights, decision thresholds, cure periods and record retention should be explicit. Any departure needs a stated reason, decision owner, impact analysis, mitigating control and deadline.

At each gate, decision makers should test affordability, liquidity, ranking, recoverability, incentives, operating flexibility and execution risk together. Material gaps remain visible until evidence is complete, advice is current, exceptions are resolved or accepted by the authorised body, and the repayment case can withstand credible downside scenarios.

## 34. Address buyer accounting

The transaction team should map acquisition consideration, financing, transaction costs and subsequent measurement. The immediate output is a controlled buyer accounting map with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether the purchase-price and debt records are internally consistent. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

The framework should assign responsibility across the seller, management buyers, equity investors, senior lenders, legal counsel, tax advisers, accountants, valuation specialists and security agents. Definitions, calculation rules, information rights, decision thresholds, cure periods and record retention should be explicit. Any departure needs a stated reason, decision owner, impact analysis, mitigating control and deadline.

At each gate, decision makers should test affordability, liquidity, ranking, recoverability, incentives, operating flexibility and execution risk together. Material gaps remain visible until evidence is complete, advice is current, exceptions are resolved or accepted by the authorised body, and the repayment case can withstand credible downside scenarios.

## 35. Test tax and withholding

The transaction team should analyse interest deductibility, withholding, transfer pricing, releases and cross-border cash flows. The immediate output is a controlled tax-risk schedule with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether projected cash payments are measured after applicable tax leakage. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

The framework should assign responsibility across the seller, management buyers, equity investors, senior lenders, legal counsel, tax advisers, accountants, valuation specialists and security agents. Definitions, calculation rules, information rights, decision thresholds, cure periods and record retention should be explicit. Any departure needs a stated reason, decision owner, impact analysis, mitigating control and deadline.

At each gate, decision makers should test affordability, liquidity, ranking, recoverability, incentives, operating flexibility and execution risk together. Material gaps remain visible until evidence is complete, advice is current, exceptions are resolved or accepted by the authorised body, and the repayment case can withstand credible downside scenarios.

## 36. Check company-law constraints

The transaction team should review authority, corporate benefit, distributions, financial assistance and solvency. The immediate output is a controlled legal-capacity certificate with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether each obligor can validly incur and service the obligation. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

The framework should assign responsibility across the seller, management buyers, equity investors, senior lenders, legal counsel, tax advisers, accountants, valuation specialists and security agents. Definitions, calculation rules, information rights, decision thresholds, cure periods and record retention should be explicit. Any departure needs a stated reason, decision owner, impact analysis, mitigating control and deadline.

At each gate, decision makers should test affordability, liquidity, ranking, recoverability, incentives, operating flexibility and execution risk together. Material gaps remain visible until evidence is complete, advice is current, exceptions are resolved or accepted by the authorised body, and the repayment case can withstand credible downside scenarios.

## 37. Build the closing evidence pack

The transaction team should assemble executed terms, funding evidence, security, filings, opinions and funds flow. The immediate output is a controlled completion certificate with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether the seller's creditor position exists as modelled at completion. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

The framework should assign responsibility across the seller, management buyers, equity investors, senior lenders, legal counsel, tax advisers, accountants, valuation specialists and security agents. Definitions, calculation rules, information rights, decision thresholds, cure periods and record retention should be explicit. Any departure needs a stated reason, decision owner, impact analysis, mitigating control and deadline.

At each gate, decision makers should test affordability, liquidity, ranking, recoverability, incentives, operating flexibility and execution risk together. Material gaps remain visible until evidence is complete, advice is current, exceptions are resolved or accepted by the authorised body, and the repayment case can withstand credible downside scenarios.

## 38. Monitor the first year

The transaction team should track performance, liquidity, covenants, collateral, payments and management actions. The immediate output is a controlled credit-monitoring dashboard with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether emerging stress is identified before payment failure. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

The framework should assign responsibility across the seller, management buyers, equity investors, senior lenders, legal counsel, tax advisers, accountants, valuation specialists and security agents. Definitions, calculation rules, information rights, decision thresholds, cure periods and record retention should be explicit. Any departure needs a stated reason, decision owner, impact analysis, mitigating control and deadline.

At each gate, decision makers should test affordability, liquidity, ranking, recoverability, incentives, operating flexibility and execution risk together. Material gaps remain visible until evidence is complete, advice is current, exceptions are resolved or accepted by the authorised body, and the repayment case can withstand credible downside scenarios.

## 39. Prepare the exit and refinance path

The transaction team should define milestones, lender engagement, information and proceeds application. The immediate output is a controlled repayment roadmap with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether the instrument has a credible route to final discharge. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

The framework should assign responsibility across the seller, management buyers, equity investors, senior lenders, legal counsel, tax advisers, accountants, valuation specialists and security agents. Definitions, calculation rules, information rights, decision thresholds, cure periods and record retention should be explicit. Any departure needs a stated reason, decision owner, impact analysis, mitigating control and deadline.

At each gate, decision makers should test affordability, liquidity, ranking, recoverability, incentives, operating flexibility and execution risk together. Material gaps remain visible until evidence is complete, advice is current, exceptions are resolved or accepted by the authorised body, and the repayment case can withstand credible downside scenarios.

## 40. Issue the vendor-finance conclusion

The transaction team should integrate value, repayment, security, ranking, governance, accounting and legal capacity. The immediate output is a controlled board-ready vendor-finance certificate with named owners, dates, source evidence, approval status and open exceptions.

The analytical objective is to determine whether affordability and seller protection are balanced on verified evidence. Reviewers should reconcile board materials, transaction documents, lender terms, management forecasts, cash records, security evidence, legal analysis and independent advice.

The framework should assign responsibility across the seller, management buyers, equity investors, senior lenders, legal counsel, tax advisers, accountants, valuation specialists and security agents. Definitions, calculation rules, information rights, decision thresholds, cure periods and record retention should be explicit. Any departure needs a stated reason, decision owner, impact analysis, mitigating control and deadline.

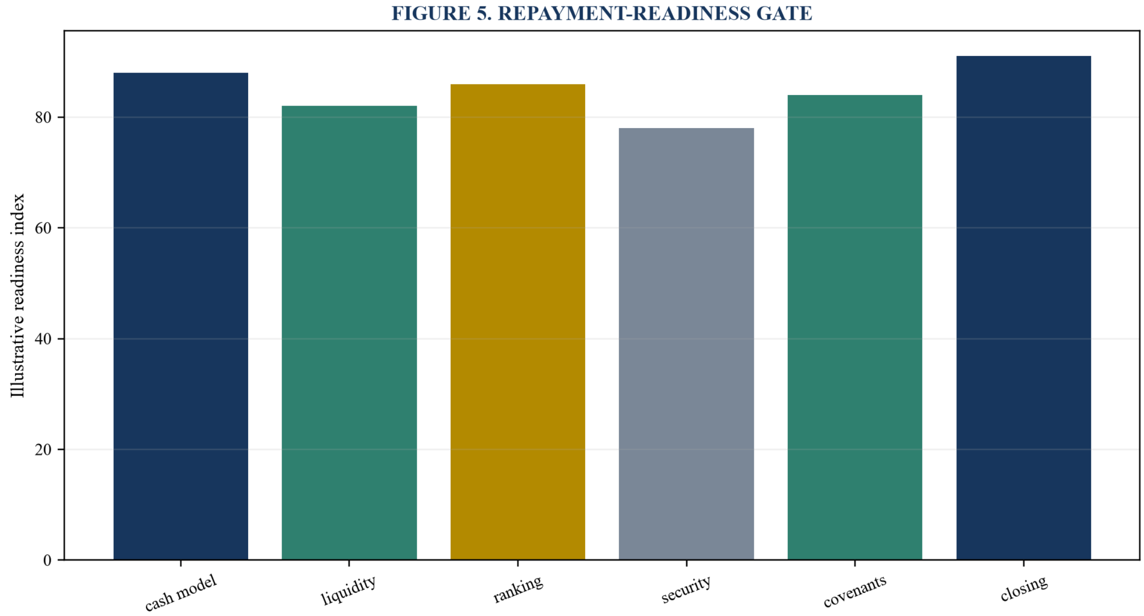
At each gate, decision makers should test affordability, liquidity, ranking, recoverability, incentives, operating flexibility and execution risk together. Material gaps remain visible until evidence is complete, advice is current, exceptions are resolved or accepted by the authorised body, and the repayment case can withstand credible downside scenarios.

**Table 5. Vendor-finance certificate**

| Certification | Evidence owner | Status |
|---|---|---|
| funding gap reconciled | financial adviser | tested |
| repayment capacity | finance lead | tested |
| priority and security | legal counsel | tested |
| downside recovery | board sponsor | tested |

*Illustrative board gate; authorised advisers determine sufficiency.*

**Figure 5. Repayment-readiness gate**




*Values are illustrative readiness indices and require company-specific evidence.*

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## About the Author

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Chennakeshav (CK) is a corporate finance and investment banking executive with 25+ years of global experience in deal origination, structuring and execution across M&A, growth capital and corporate strategy. He has led value-creation mandates for founders, corporates and funds — bridging the boardroom view to hands-on execution and close.

His career spans Morgan Stanley, HSBC, Lloyds Banking Group, EWEC, ADQ portfolio companies and Emirates Growth Fund, across TMT, real estate, fintech, deeptech, cleantech, infrastructure and energy. He has partnered with C-suite leaders, private equity and venture funds, sovereign wealth funds and family offices to finance complex fund raises and scale-up ventures, and has led M&A due diligence, post-merger integration and business-transformation initiatives to create value.

At Matchpoint Partners he is Managing Partner, leading the firm's corporate finance, M&A and capital-raising practice. He holds an MBA from London Business School, an engineering degree from VTU and a Master of Laws (LLM, in progress) from UCL London.

An active start-up mentor, CK mentors at Techstars, DIFC FinTech Hive, Startup Grind, Founder Institute and IN5, serves as Entrepreneur Mentor in Residence (EMiR) at London Business School, and judges the Entrepreneurship World Cup.