

Due to certain changes in mergers and acquisition practice in recent years, including the frequency with which S Corporation targets are required to effectuate an F Reorganization prior to the consummation of the deal and that “roll-over equity” comprises a portion of the consideration for the transaction, the shareholders of an S Corporation should consider adopting a shareholders’ agreement that comprehensively addresses these deal concepts. In particular, shareholders should consider adopting a “drag-along” provision that clearly allows for the majority shareholders of an S Corporation to require that all shareholders of the entity participate in a deal that includes these features.

Our Business & Finance Department has an active mergers and acquisition practice and regularly assists business owners in preparing for, negotiating, and consummating transactions of such type. Please contact Paul T. Rushton, the Chair of our Business & Finance Department, at prushton@rjglaw.com or 570-826-5623 if you would like to discuss these or other issues relating to the sale of your business.