

A low-angle, black and white photograph of several skyscrapers reaching towards the sky, creating a sense of height and scale. The buildings are framed by a white border.

M&A Legal Considerations Representations and Warranties

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Representations & Warranties



WHAT YOU NEED TO KNOW

Mergers and acquisitions (M&A) are complex, and representations and warranties are **crucial for a smooth transaction**

These legal clauses **protect both buyers and sellers** by reducing risks and clarifying terms

In this carousel, we'll break down the **key legal aspects** of these vital components

What are Representations & Warranties?

DEFINING THE TERMS

REPRESENTATIONS

Statements about the current or past state of the business

WARRANTIES

Promises about how the business will perform in the future

These elements help distribute risks between the buyer and seller, ensuring everyone is on the same page



Why They Matter



TRANSPARENCY

All important facts are laid bare

RISK MITIGATION

Prevents losses from errors

TRUST BUILDING

Clear obligations boost confidence

LEGAL REMEDIES

Basis for action if terms are breached

Key Elements of R&W

1

SCOPE

Should be detailed and specific to avoid disputes and cover crucial points

2

ACCURACY

Essential for both sides. Due diligence is key to verify all information

3

MATERIALITY

What facts are significant enough to influence the deal?

4

KNOWLEDGE

Whose knowledge matters? The entire company or senior management?

How Long Do They Last?

SURVIVAL PERIOD

This timeframe ensures enforceability of claims related to breaches

BALANCE

Negotiate a period that offers enough protection without being impractical

1

2

3

DURATION

Representations and warranties typically last 12 to 36 months post-deal

Indemnification Provisions

HANDLING BREACHES

CAPS AND BRACKETS

Limits on liability and thresholds for claims

ESCROW ACCOUNTS

Funds reserved to cover potential breaches

CLAIM PROCEDURES

Clear steps for making and resolving claims

FAQ

IMPACT ON PURCHASE PRICE

Errors can lead to price renegotiations or indemnification

BRING-DOWN CERTIFICATE

Confirms that all representations and warranties remain true at closing

REPS AND WARRANTIES INSURANCE

Covers breaches, simplifies negotiations, and speeds up the deal

Wrapping up

FINAL THOUGHTS



Representations and warranties are **vital for the execution** any M&A deal.

Understanding their **scope, materiality, survival period, provisions** and disclosure schedules can help you manage these complex agreements.

Properly crafted **clauses mitigate risks**, build trust and pave the way for a smooth transaction.

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