Schneider Smeltz Spieth Bell LLP

Neutralize deal killers **through early planning**

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Everyday errors and oversights can turn into deal killers when subjected to the pressure and timeline of a closing. Identifying and mitigating deal killers requires early planning and objective evaluation of a company's value proposition. The earlier this review occurs, the better.

Deal killers often reside in the very things that make a company appealing to a buyer. A seller's familiarity with the target allows her or him to value different components of the business, from customer goodwill to branding. Careful early analysis of the components of a company's value narrows the hiding places for potential deal killers and allows for more efficient review and subsequent mitigation efforts when problems are found.

If the seller attributes value to revenue and profitability, the buyer will want to review the target's top vendors and customers and contracts with them. If the seller attributes significant value to intellectual property, the buyer will want to understand what efforts the seller has taken to protect that intellectual property, such as non-disclosure agreements, patents, limiting access to trade secrets and employee invention assignments. Gathering and reviewing these materials early on (or identifying their absence) allows a seller to evaluate and remedy any gaps without the pressure of due diligence and closing.

Buyers expect the sellers to justify a company's value and will focus on the seller's evidence of that value, as well as industry-specific concerns such as government regulation and data security. Sellers of closely held companies frequently overlook deal killers, sometimes due to a lack of objectivity and sometimes because they don't see the need to engage professionals in the early stages of the sale. Those behaviors lead to unnecessary expense and allow deal killers to escape detection. Avoid these costs and deal killers through early planning and objective discussion.

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