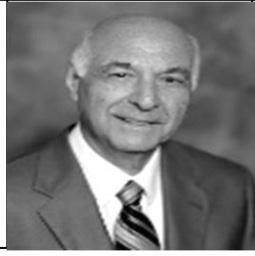


Financial, Legal & Tax Advisory

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Due Diligence Dynamics

Before a prospective buyer's commitment to purchase a target company (a company being sold), the buyer will want to fully understand the company it is buying and the obligations it is assuming. More specifically, the prospective buyer wants to understand the target's liabilities, risks, synergies, and value. To do so, the buyer and target company will engage in due diligence. Due diligence is a comprehensive appraisal of the target company by a prospective buyer.

The target company will be tasked with turning over some of its most sensitive information, a process that will make most business owners uneasy. The unease grows as many prospective buyers are direct competitors who can gain a competitive advantage by obtaining the synergy, financial model, and client, vendor, or supplier lists of the target. All of these are items that hold a tremendous amount of value and are generally disclosed to the prospective buyer before the close of the transaction. Releasing such sensitive information to a prospective buyer is a task that requires a strategic disposition.

As you can see, the complexities of due diligence vary and the importance of an experienced Merger and Acquisition (M&A) due diligence team is vital. Generally, there are two driving aspects of due diligence. One is financial due diligence which encompasses an in-depth review of the target company's financial statements, processes, business structure, and value. The other is legal due diligence which assesses any legal risks, the target's contractual obligations, the structure of the target company, and the overall viability of the transaction. From the target company's standpoint of the transaction, a third aspect is immersed in both the accounting and legal due diligence phases.

The aspect of having a due diligence strategy that encompasses the awareness and understanding of not only the logistics of due diligence but also the ability to control the data room, knowledge of the need for potential redactions, and most importantly, insight on how to protect and provide the target company's most sensitive documents and business secrets to the buyer. In essence, your due diligence team must maintain a sound path for the transaction, understand the buyer's intent, and release sensitive information as required, while protecting the interests of the target company. It is very common in these types of transactions for a buyer to engage with an accounting team, legal team, and various real estate or insurance teams to cover all aspects of the transaction.

As a result, the complexities and variety of due diligence requests range on a wide spectrum depending on the target company. Employing an M&A team with the requisite knowledge and strategy to cover all aspects of the transaction is rare, but if found and employed adds tremendous value to the logistics, insight, and negotiations that often take place throughout the due diligence process. Additionally, an M&A team that can pinpoint a suspicious or questionable buyer aimed at undermining its competition through due diligence disclosures is necessary in some cases as occasionally buyers do not act in good faith. Ensuring the protection of your company's data must be a focal point in the due diligence process.

At The Center for Financial, Legal & Tax Planning, Inc., (The Center) our M&A team is equipped with attorneys, CPAs, and Real Estate Brokers to handle all spectrums of the transaction. Moreover, our team is equipped with the know-how to meet the needs of buyer's requests while maintaining a sense of control necessary in an M&A transaction. If you are in the process of selling your business or selling your business has crossed your mind, please contact The Center for a free consultation. Allow our team to provide a strategic plan to protect your interests and efficiently maintain the logistics of due diligence.

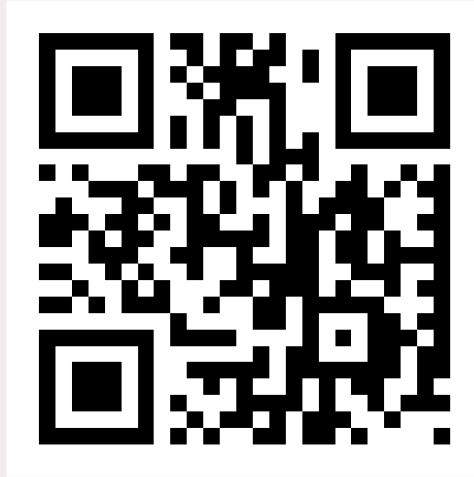
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