

M&A Seller Data Room: Clean-Up and Due Diligence

Challenge

A private equity investment firm sought assistance for two of its portfolio companies in connection with the organization and review of data room materials in preparation of a sale.

The firm placed high value on transparent and timely closings. It identified that a clean and well-organized data room, as well as the automated production of seller schedules to any purchase and sale agreement, are key elements in the timely completion of any deal. The firm also recognized that the same attributes assist in confirming purchase price valuations and created a strong position for shorter indemnification periods with smaller amounts.

Highlights

In addition to **significant hourly rate savings** compared to traditional review and diligence methods, the collaboration provided the client a **comprehensive, organized data room**, assuring disclosure of appropriate documents only.

“**Our team of corporate review attorneys worked side-by-side with the client and counsel in the various phases of the deal, including data room prep and agreement negotiation.**”

Solution

The Legility project manager designed, in cooperation with the client and outside deal counsel, a tailored project workflow that established responsibilities for all parties involved and provided real-time feedback for knowledge gaps and follow-up issues. In particular, the Legility team of corporate review attorneys worked side-by-side with the client and counsel in the various phases of the deal:

Solution

Data Room Prep Phase

- Review of data room to confirm that all materials were generally appropriate to be included and are loaded into the correct section
- Review of documents loaded into select data room sections to identify missing information and clean-up items relating to a particular document (e.g. missing pages or execution)
- Confidentiality of terms in a particular contract or the contract itself to determine potential removal or redaction

Purchase and Sale Agreement Negotiation Phase

Review and abstraction of limited substantive contract terms to assist in the production of schedules to the sale agreement (e.g. assignability or contract value).

Results

In addition to significant hourly rate savings compared to traditional review and diligence methods, the collaboration with Legility provided the client a comprehensive, organized data room, reviewed by qualified attorneys, assuring disclosure of appropriate documents only.

The client also eliminated time traditionally spent on fielding follow-up questions about missing information or documents, allowing them to work toward a fast closing. The use of industry leading database technology to summarize substantive contract terms allowed Legility to sort summarized data and automate the production of seller schedules without the addition of manpower, time or cost.

The client was well-equipped to fend off purchase price deduction arguments for the risk of potential post-closing clean-up items, as well as having a strong position to achieve low indemnification amounts and periods – all valuable assets for any seller. In this case, the seller instilled great buyer confidence by presenting a “clean house.”



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