

Building a Strong Deal Team

By Terrel Bressler

M&A, recapitalizations, ESOPs and other types of ownership transitions are complicated transactions requiring the skills and knowledge of a wide variety of deal professionals. Like a winning sports team, a successful transaction advisory deal team requires the contribution of individual players at the right time and in the right measure throughout the deal process to successfully execute and close a transaction. The ability of the deal team to interact, communicate and collaborate can have a dramatic effect, both positive and negative, on a transaction outcome. A smoothly functioning deal team assists the business owner determine transaction goals and objectives, prepares the Company, plans and executes the transaction process and anticipates and mitigates deal problems. Properly addressing all of these factors will increase the speed to close and will ultimately contribute to the overall success of the transaction.

Most business owners have existing groups of advisors with which they consult when they have specific business needs or face problems. Typically these groups include the owner's accountant and

attorney and may include others, for example members of a Vistage Group or Young Presidents Organization Group. While these advisors and counselors are helpful in the day to day operation of the business, additional specialized knowledge is often required in ownership transition transactions. As a result, the business owner may need to look outside the existing advisory circle to find professionals with ownership transition expertise. Finding advisors with extensive transaction experience honed through the completion of similar deals is critical to successfully execute such a transaction. Often the existing advisory group can suggest experts with the appropriate skills for these types of transactions. When building a specialized deal team, it is essential that the owner form a comfortable relationship with each professional to develop respect and trust in the advice they deliver.

There can often be significant overlap in the skill sets and experience of the individuals on the deal team. It is important that the roles and responsibilities of each deal professional is clearly

defined and communicated to make sure the deal is executed smoothly and all facets of the transactions are covered. One professional, usually the investment banker, functions as the team leader to marshal the resources and orchestrate the overall transaction process.

At a minimum an effective deal team should include professionals from the following business disciplines:

- **Accountant:** Generally the accountant is already a member of the business owner's advisory group. The accountant provides tax and accounting advice that is essential in the pre-transaction preparation stage. Early tax planning can often have a positive effect on the transaction and help maximize the after tax proceeds. In addition, the quality of the Company's financial information has a significant effect on the deal outcome. Often supplemental accounting expertise is needed primarily in the area of "auditing" or "reviewing" the financial statements or providing some other type of special analysis or presentation, for example Quality of Earnings analysis, to advance the deal process.
- **Attorney:** Similar to an accountant, an attorney will likely be an existing member of the business owner's existing advisory group. The attorney is an important member of the deal team and makes sure the company's legal records are in good order for a transaction. In addition, attorneys will provide complementary advice on tax matters and legal advice in the transaction. It is important to have an experienced deal lawyer who is very familiar with M&A and financing transactions on the deal team. If the owner's existing attorney does not have relevant deal experience, supplemental legal expertise can be added either from the existing lawyer's Firm or from a complementary law firm. This additional legal counselor will not diminish the role of the owner's existing attorney. Professional pride should be put aside because it is absolutely critical for the owner to make sure his team has the appropriate legal advice and add another attorney to the deal team if necessary .

- **Wealth Advisor/Manager:** Good wealth advisors do more than just provide advice on where to invest. A skilled wealth advisor is very important in the pre-deal preparation stage to help the business owner determine the minimum amount of after tax proceeds that is needed from the transaction to sustain a post transition lifestyle. These professionals, along with the accountant and attorney, work in the pre-deal phase to make sure the transaction structure is established to maximize the after tax proceeds. A good wealth advisor will also help the owner plan for the transaction proceeds, provide investment options and properly establish the owner's estate plan.
- **Investment Banker:** An experienced investment banker ("banker") is essential to a well-executed ownership transition transaction. The banker helps the owner understand the transaction options, provides advice on the Company valuation drivers and business valuation, assists with Company preparation, develops the transaction positioning strategy, and manages the deal execution. Often the banker leads the deal team collaborating with all parties to make sure the transaction process runs smoothly to closing. The banker works with the wealth manager and other advisors at the beginning of a transaction to make sure the proposed deal has a high probability of meeting the owner's minimum after tax proceeds and other objectives. The banker also reviews and analyzes the financial information and works with the accountant to make sure the information effectively describes the business. A good banker will collaborate with the attorneys to make sure the transaction to which the owner agreed to during the deal process is the transaction that actually makes it to closing. The attorney is responsible for all of the legal terms, but the investment banker, working with the legal team, makes sure the business aspects of the legal terms are current with the market.

- ***Other Advisory Team Members:*** Depending on the situation and the deal circumstances others can be added to the deal team. For example, consultants could be added for specific “deal issues” like environmental situations and real estate matters or lenders consulted for financing matters.

An experienced advisory team with diverse skills and a collaborative work ethic is essential to the successful completion of any ownership transition transaction. It is important that the business owner is comfortable with all members of the team and that the respective roles and responsibilities are clearly communicated and understood by all team members. The success of an ownership transition transaction is largely due to the skills of the deal team, the preparation made at the beginning of the process and the smooth execution of the deal. That is why the important first step in an ownership transition transaction is building a strong deal team.

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