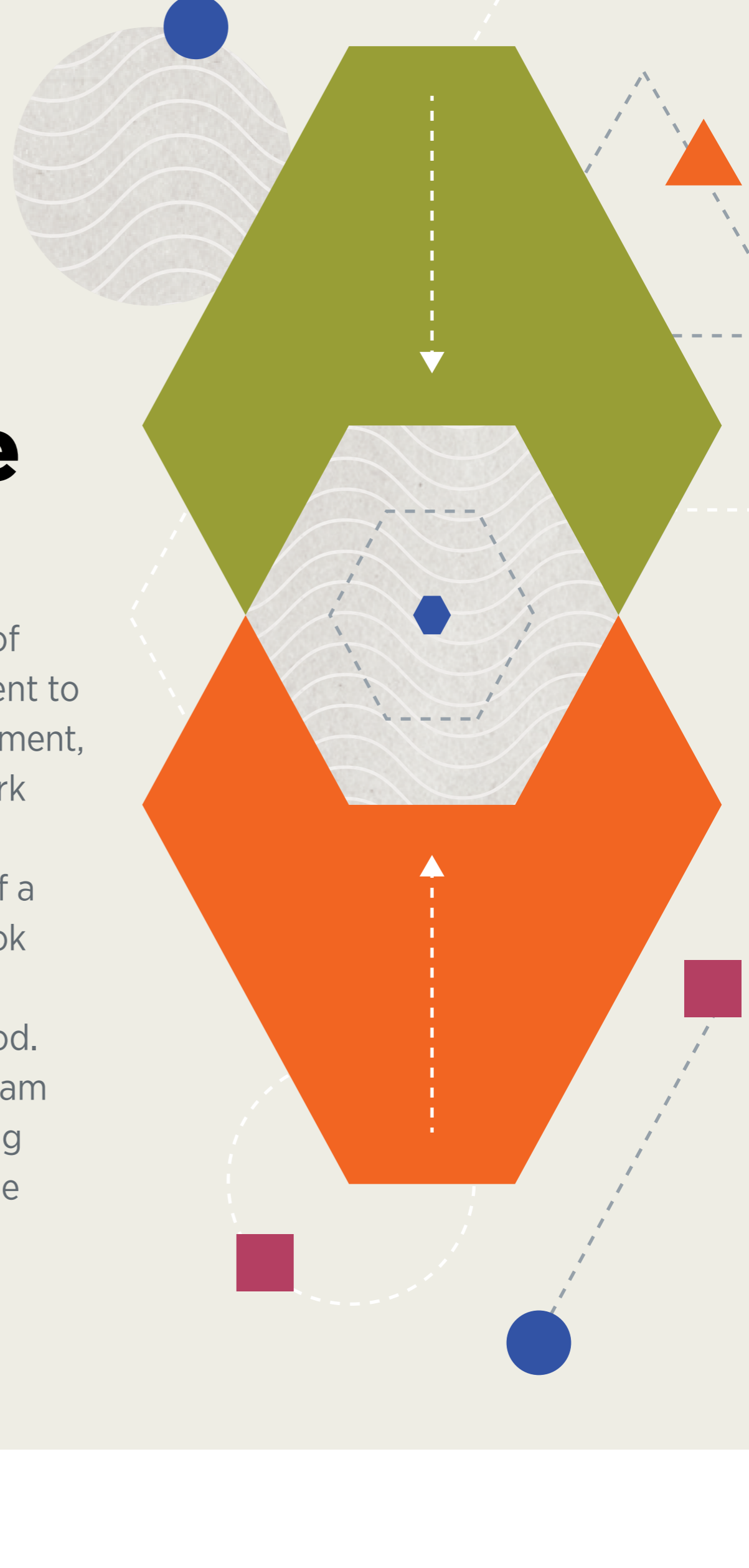


Private M&A Deals and the Role of a Professional Shareholder Representative

Growing your company to the stage of a successful acquisition is the result of years of dedication and effort. Reaching an agreement to sell the company is a significant accomplishment, but many sellers underestimate the hard work that remains after closing a deal. While the need for advisors in the pre-closing stage of a sale is well understood, some sellers overlook the need for a professional shareholder representative during the post-closing period. Assigning a member of the management team or an institutional investor can end up being costly, time consuming and may open those individuals to increased liability.



The Role of a Professional Shareholder Representative Post-Closing

Engaging a professional shareholder representative can shift the administrative burden to someone with extensive experience shepherding private M&A deals through the final stages. This includes monitoring deal terms and key dates; tracking individual shareholder allocations of escrows, holdbacks, or contingent consideration; and providing status updates to shareholders throughout the process. A professional shareholder representative can also review claim notices, negotiate disputes, track the achievement of milestones and earnouts, and coordinate escrow disbursements.



Given the competing interests associated with a sale, a professional shareholder representative provides an unbiased perspective while acting in the best interests of shareholders. Given their extensive experience, a professional shareholder representative may foresee potential problems, help prevent their occurrence, or mitigate their effects if unavoidable. The ability to anticipate problems allows for a strategic approach to decrease the likelihood of funds being claimed from escrow and increases the likelihood of a smooth post-closing period.



The Skills Needed to Administer a Deal

To provide the breadth of services and support needed in the post-closing process, professional shareholder representatives must possess a broad range of skills, experience, and a proven track record of facilitating successful transactions.



The skills needed on a standard deal include:

- accounting, specifically a detailed knowledge of GAAP
- tax, particularly income tax or sales and use tax experience
- dispute resolution, mediation, and litigation experience
- M&A experience, including deal structure and liquidation preferences
- contract review and administration
- customer service skills
- project management and organization

Quantifying the Administrative Burden



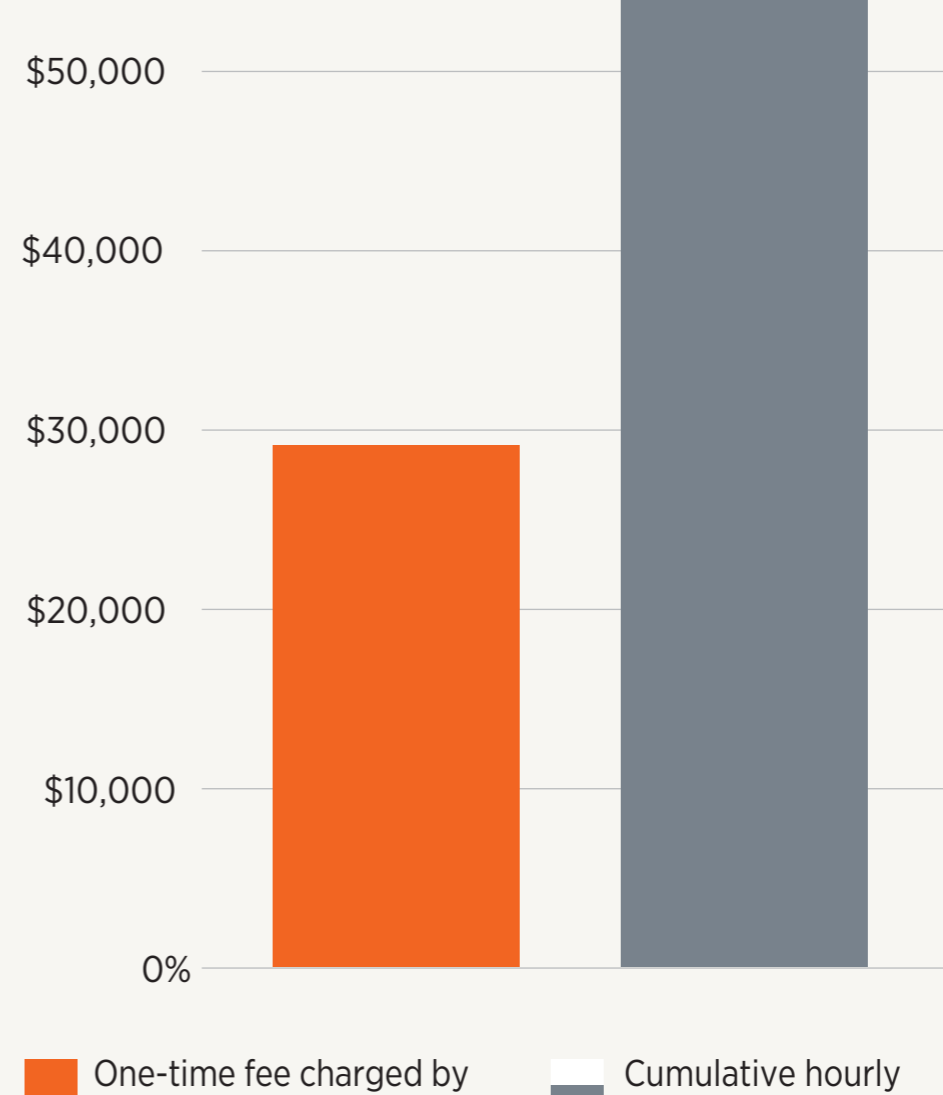
Many sellers underestimate the time it takes to navigate the post-closing process and its complexity. Let's look at how much administrative time an average deal requires.



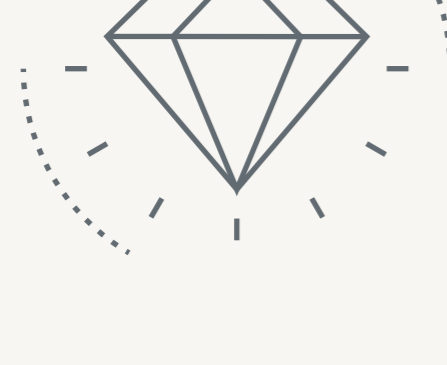
Excluding indemnification claim disputes, the post-closing period can require between 50-100 hours of administrative tasks alone. For example, negotiating the initial agreement, completing know-your customer forms for the escrow and paying agents can take six to eight hours. Outlining responsibilities, key terms, and creating important date reminders from the final documents can take an additional four to six hours, while the monthly account reconciliation and statement delivery can add up to an additional ten hours for the length of the deal. Reviewing the purchase price adjustment is typically at least another 10 hours, while answering shareholder inquiries and questions can be a daily task. This doesn't even include claim negotiation or mitigation.

A One-Time Fee Versus an Hourly Rate

Given the hourly rates of attorneys and accountants can range from \$500 to over \$1,000 an hour, a simple task such as reviewing the terms of an agreement to coordinate an escrow release could generate a significant expense. Alternatively, a professional shareholder representative will charge a one-time fee that's typically less than \$30,000 for most transactions. This doesn't include the value of the time that the actual shareholder representative is spending coordinating the different aspects of the role, for which they typically aren't receiving payment.



*Based on actual global law firm estimate. Rates may vary on a case-by-case basis.



While cost is an important consideration in a private M&A deal, the relief of not having to spend time after closing answering questions, tracking key dates to avoid missing deadlines, and coordinating various experts' assistance is a priceless benefit for sellers.

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