TIPS FOR DUE DILIGENCE

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VIEW THE ROLE OF LEGAL IN PERSPECTIVE

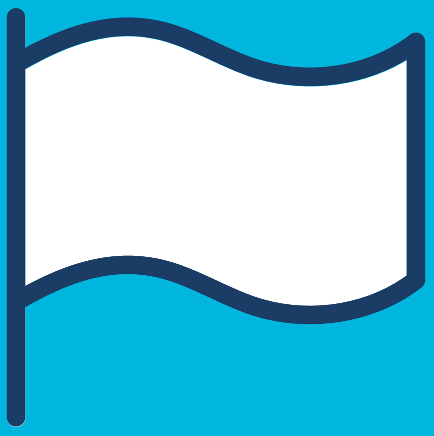
There is often tension between lawyers and business people. Lawyers should view their role as complementary to the transaction, aiding the transaction by quantifying the risks involved in acquiring or merging businesses.

TAKE THE TIME TO UNDERSTAND

Understand the business and how it operates. This could involve, for example, running litigation searches. Understand the transaction itself. This involves determining what is required to transfer the business to the purchaser. You may have to check the tax affairs of the business and cross-check the corporate register against the ASIC register.

BE AWARE OF THE CONTEXT OF THE TRANSACTION

Where a risk is identified but cannot be closed off to your satisfaction, ensure the client is aware of this risk before proceeding. Where a risk is identified that you are unable to quantify it, ensure you flag the risk in your due diligence report and attempt to quantify it to the best of your ability in the time you have.



THINK ABOUT EMPLOYEES AND CULTURE

Focus on the legal elements of the employment relationships of the parties to a transaction can be extended to a focus on how the employees of businesses being merged will work together in the longer term, and how the culture of the businesses might interact.

CONSTANTLY LEARN AND USE TOOLS TO HELP

Deals have moved past having lawyers sequestered in room pouring through archive boxes. Practitioners should always look for technological tools to help them practice more effectively in the real world.