

*We're now going to talk about some of the conditions to closing that come up in the LOI.*

**Clint:** What is a condition to close and what are some examples?

**Brad:** Like in any sort of investment, in an acquisition, the deal's not done until it's done. Often, in the LOI, you'll see some language that are conditions to closing which the buyer puts in as a way to get out of the deal if they decide not to go forward.

For all practical purposes, a buyer can walk away from an acquisition at any point in time. And in most of the situations that people will find themselves in, there is no real recourse if a buyer decides not to go through on a deal. Oftentimes, they'll add in some specific things around conditions to close to try and signal things that are particularly important to them.

Often, they are also very vague things around successful completion of due diligence but some of the conditions to close will be specific like getting consent from 99% of all the shareholders. Some threshold that's really well defined early-on in the process that signals to you as the seller that you need to satisfy something in order to be able to get the deal done.

**Clint:** What, if anything, can you infer about the buyer by what these conditions to close look like?

**Brad:** The conditions to close do signal a sense of commitment on the buyer's part. Most buyers, especially large companies, are not going to start an acquisition process unless they're serious about following through. It's too much time and energy on their part as a business to commit, especially those much larger companies with very formalized processes.

But the level of specificity often will signal whether or not there are things that are clearly defined on the front end. If you've got very vague language around conditions to close, it means that the buyer hasn't thought hard yet about what needs to happen to get the deal done. Yet, if there are very specific and often reasonable conditions to close, it can signal that the buyer is pretty mechanical about what they need to get done to get the deal finished.