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Press Release

65% of Investors Back Out or Renegotiate Deals Following Executive Profiling: The McLane Group

Survey of Leading M&A Lawyers and PE Firms Finds Executive Profiling an Essential Step in the Due Diligence Process

New York, NY, October 22, 2007: Concerns over information found in executive profiles prompted 65% of investors to pull out or renegotiate deals, according to a new survey assessing the trends in transactional due diligence conducted by The McLane Group, a leading global intelligence and risk advisory firm.

The survey, “2007 Trends in Transactional Due Diligence,” gauges the opinions of 237 executives responsible for mergers, acquisitions, or investments at leading private equity firms and corporate lawyers at the top law firms as ranked by the Legal League Table.

“Perhaps the most salient and striking finding is the sheer volume of deals being influenced or abandoned as a result of information gathered from executive profiling,” said Colin McLane, Chief Executive Officer of The McLane Group.

“As the importance of executive profiling is becoming more recognized, we’re seeing firms increasingly turn to external specialists as the time and costs associated with a thorough background investigation can significantly outweigh the negative impact on reputation and financial results that are associated with a bad deal,” he added.

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The McLane Group survey also found that the most disruptive revelations about the subject of an executive profile were overwhelmingly the subject's involvement in prior undisclosed illegal activities (93%) followed by a history of litigious behavior (48%).

“Frankly we were not entirely surprised to find that so many deals were disrupted by finding some sort of illegal activity in a subject's past that was not previously disclosed,” McLane added. “Many people believe if an infraction happened over seven years ago then it is hidden forever. However, a thorough investigation often yields results well beyond that of a traditional data dump and identifies red flags beyond seven years.”

The survey also found that 80% of private equity firms have a firm-wide policy to create executive profiles in every deal as part of the due-diligence process whereas only 26% of law firms report having the same policy. However, it appears as if this is counterbalanced by the fact that the law firms report that 61% of their clients request executive profiles if the firm didn't already suggest one.

“Our firm's clients increasingly recognize the need to have complete and thorough executive profiles prior to making investment and business decisions,” McLane said. “This is a trend that accelerated after the introduction of Sarbanes-Oxley and the USA Patriot Act and continues to grow as a normal part of the due diligence process.”

About The McLane Group

The McLane Group is a leading provider of intelligence and risk management services to the international financial, legal, and corporate communities. The firm provides its clients with independent, reliable, and discreet data and analysis about their potential business partners and provides in-depth risk analysis and advisory services. www.themclanegroup.com

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