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From Drug Enforcement to Due Diligence **Robert J. Strang, C.E.O., Investigative Management Group**

M&A: You founded IMG's predecessor company in 1989 after a career with the Drug Enforcement Agency. How did chasing drug dealers lead to sniffing out off-balance sheet transactions?

R.S.: *I also investigated money laundering.*

M&A: Has the boom in private-equity deals translated into more business for your firm?

R.S.: *Yes. However we're usually the last people called in before a commitment and closing so there is always pressure on us to do a full in--depth background. We're a small sliver of the due diligence process but clearly an important one. They don't close the deal until they get our report.*

M&A: How much does a report cost?

R.S.: *A full report costs \$7,500 per individual. It takes two weeks. We go into all the courts – federal, state and local – and pull all the cases. Our associates are former agents or former prosecutors. We leave no stone unturned.*

M&A: Can you describe how you do your work?

R.S.: *There's the legal research. And there's a lot of talking to people. Investigation work can be like politics. You know the saying, 'All politics is local'? Often our work is very local. Like: Who do you talk with, where do you go, how do you get a lead?*

M&A: As deals get more international, how do you keep up on the due diligence side?

R.S.: *The U.S. is highly transparent as compared with so many other countries. It's more difficult for us to do things outside the U.S. When we deliver overseas reports, clients sometimes ask, 'Where are the details?' Fair enough, but in the U.K., for example, it's against the law to even look for a criminal history.*

M&A: How do you compensate for that?

R.S.: *It helps to have good relationships with law enforcement. We work very closely with police departments around the world.*

M&A: Surely that can't be! Every Sam Spade book I've read, or in movies like Chinatown, the investigator fights with his opposite number on the police force.

R.S.: *Ha ha!*

M&A: In performing due diligence – here or overseas – what are the most common red flags you find?

R.S.: *Bankruptcies are something we find very often. And of course judgments, liens, major partnership disputes.*

M&A: Are these deal-breakers?

R.S.: *Not necessarily. Almost anything is manageable in a deal provided the target discloses to the investor. When he doesn't, it changes the relationship. The investor is wondering, 'What else is he not telling me?' My advice is to disclose ahead of time and get it off the table.*

M&A: Even what disclosure could kill the deal?

R.S.: *That's when it's most essential. I just did a company where one of the principals was arrested in his early 20s for sale of marijuana. Now it's 30 years later, he's married, has a family and runs a company. The earlier arrest had no impact.*

M&A: What was his reaction when you learned about it?

R.S.: *He was the one who brought it up.*