

# AI and Tech in M&A

## What to know about AI and tech advancements in M&A due diligence

INTERVIEWED BY ADAM BURROUGHS

Many law firms have changed their transaction management processes significantly with recent advancements in technology, especially the development of artificial intelligence. AI and technology innovations have aided deal lawyers in various ways, but most commonly it's being used in connection with contract review and dynamic closing checklists.

"These software programs allow legal teams to react quicker, be more efficient in managing diligence and closing, and better coordinate with clients to target key risk areas in the deal process," says Mitchell Kolesar, a Partner at Buckingham, Doolittle & Burroughs, LLC. "This not only allows legal teams to keep pace with the ever-increasing speed of closings, but can also help to reduce client costs and risk exposure."

*Smart Business* spoke with Kolesar about how AI and technology software innovations have affected the M&A process and what buyers and sellers should know.

### HOW ARE AI AND SOFTWARE BEING USED IN M&A DEALS?

There are areas of M&A deal work that can drive up costs without necessarily creating value for clients. One of those areas can be the contract review portion of due diligence. A party could need to review anywhere between 50 and 1,000 contracts (or more in larger middle-market transactions) for potential issues that could negatively impact a deal. Issues such as consent to assignment, change of control provisions or concerns regarding the buyer's operations of the business post-closing based on business-related terms could delay the closing process if not timely identified. AI-aided contract review software enables a firm to upload these contracts and almost immediately create a report that will highlight material

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**WEBSITE:** Learn more about the efficiencies AI can bring to your M&A process by connecting with Mitchell at [bdblaw.com/attorneys/mitchell-t-kolesar](http://bdblaw.com/attorneys/mitchell-t-kolesar).

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legal issues and summarize the parties to the contract. Using AI in the contract review process can drastically reduce the human-intensive time needed for review and significantly reduce the time it takes a legal team to get a handle on the material contracts involved in the transaction.

A seller can benefit from these tools early in the sale process. The legal team can coordinate with the seller and provide an initial legal diligence checklist of what a buyer is going to be looking for during their due diligence. The AI contract review software then allows the seller's legal team to efficiently review contracts early and get ahead of material issues that may exist, reducing the time needed to resolve contract-related problems. When issues are discovered, the seller's legal team can work towards solutions much earlier in the process and likely before they are raised by a buyer.

Dynamic closing checklists have also helped save time and reduce costs in the deal process. Signature pages — getting many documents signed by all the parties at closing — can be administratively burdensome. Dynamic checklists enable legal teams to manage all transaction documents in a single location on a cloud-based platform in real time. When documents are quickly changing and new versions are exchanged among legal teams, dynamic checklists allow all parties to efficiently manage the final form

of documents. The result is a smooth closing with an efficient signature page process and improved organization of final transaction documents.

### WHAT SHOULD BUSINESS OWNERS KNOW ABOUT AI-AIDED DILIGENCE?

Before AI-enhanced software, law firms often utilized associates during due diligence to review contracts and identify issues. AI software can handle the same function in significantly reduced time with a high level of accuracy and produce a report that is then cross-checked by an associate. The report allows lawyers to focus their review efforts on the material contracts involved in the deal.

Still, business owners should know that this is not a perfect solution. These third-party providers generally have very high security standards that often equal or exceed the standards set forth at major law firms. They also understand the need to meet law firms' confidentiality and security criteria. However, the use of software for this process can introduce some level of risk. That's why it's important to have an experienced deal lawyer illustrate how these tools can best support a deal process. And business owners whose legal team is using AI software should confirm that there are no security concerns regarding how information is stored or transmitted. ●