

EXERCISE**DUE DILIGENCE IN LENDING DEALS***Background*

Your client, Median National Bank, has received initial approvals to provide a \$15 million secured loan to A Priori, Inc. A Priori plans to use the loan proceeds in part to finance a small acquisition of a competitor, Post Hac, Inc., which is expected to occur simultaneously with the loan closing. A Vice President of Median National Bank has e-mailed you with the following details about the transaction:

- Median National Bank has completed their financial due diligence and is satisfied with A Priori's and Post Hac's financial condition.
- A Priori is acquiring Post Hac in part because Post Hac has a valuable patent portfolio.
- A Priori has an existing credit agreement in place that will be paid off in connection with closing.

Median National Bank has asked to have a call to discuss how the legal due diligence process will unfold.

Instructions

Come prepared to discuss the following questions:

- What are the categories of documents you might expect A Priori's counsel to provide in legal diligence? What types of public filing searches might you order and why?
- Should the scope of your legal due diligence cover Post Hac? Explain your reasoning.
- Should they expect to receive a diligence memo for this transaction? Explain your reasoning.
- What are some examples of issues you might look for in A Priori's organizational documents?