

In The News

# Ryan Roman, Donnie King Explain How to Avoid Private Equity Deal Disruptions in Article for *Bloomberg Law*

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Ryan Roman and Donnie King wrote an article for *Bloomberg Law* explaining how disruptions in private equity deals may be avoided, particularly when there is a working capital shortfall.

“The goal is to accurately capture the shortfall, if any, for the period of time between the execution of the purchase agreement and the closing of the deal. The amount agreed upon must be sufficient to operate the business on a day-to-day basis, but not so much to create a windfall for the buyer.

Typically, a dispute over working capital will arise several months after closing, once the buyer has had the opportunity to present its working capital calculation to the seller. At that point, the leverage that the parties may have had while negotiating the deal is gone and the parties are left to apply whatever formula for calculating working capital that is set forth in the purchase agreement.

Early planning makes a difference, so one of the top pre-sale planning goals should be to get consensus from buyer and seller on an appropriate formula for calculating working capital for the specific type of business being sold.”

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