

Institutional Investor

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from **The Deal Detectives**

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...Some acquirers hire detectives just to learn more about the people they'll be working with. "It's often things that they can't quite ask the person," explains James Mintz, president of the eponymous investigative agency in New York City, where most of the country's big detective firms are based. For an investigator, such things as how much an executive's home cost, how big his mortgage is, what his driving record is and whether he's been married or divorced are easy to dig up directly...

...Often, unexpected developments require both expert and speedy sleuthing. Mintz's agency was recently hired by a private U.S. company to check on a U.K. deal maker who had been "presenting himself as extremely wealthy in the U.K." and who had expressed interest in making an acquisition, according to Mintz. Although his investigators had been given only a few details about the subject, they were still surprised to find no references to him in computer news databases. They found out why when they visited a town where the supposedly rich investor had once lived. There they came across a creditor of his business who told them that their subject had changed his name two years earlier. The original name did indeed turn up on databases: He turned out to be someone who had accumulated large debts and had severe financial problems. Mintz's client speedily backed away from the deal maker....

...In developing countries, U.S. companies and investment funds need to be extra careful that, whether by acquisition or joint venture, they don't hook up with a company that bribes government officials to win business; that would put them squarely in violation of the Foreign Corrupt Practices Act....Mintz has his agents talk to the foreign firm's competitors, ex-associates, law enforcement contacts and others to assess its local reputation and to make sure there's a "logical explanation" for its local franchise and connections....

...Mintz tells the story of a U.S. company that was interested in doing a joint venture with a Russian firm that held the local franchise for a service business. The U.S. partner was to provide capital and get a portion of the revenues in return. In the course of about two weeks of checking out the local firm's reputation, Mintz's people discovered not only that the chief executive surrounded himself with gun-toting ex-KGB agents (which is not terribly unusual for businessmen in Russia), but also that he was newly rich—with no apparent explanation of how he got that way. Without asking Mintz to delve further into these mysteries, the client decided to drop the deal....