

## M&A Nugget: Licenses – A Potential Holdup

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Many target companies own a license that is required to engage in business. To the buyer, the ability to use the license is therefore crucial. Some licenses can be transferred, but most licenses cannot, in which case the buyer is required to apply for a new license. This important part of getting a deal done is often mismanaged. The keys to assure that the license process does not unduly delay closing are preparation, timing, and smart use of resources. On the preparation end, a buyer needs to do its homework to review the applicable rules and regulations governing the license. These rules often change, and it therefore is important to make sure that the most recent rules are reviewed. As for timing, applications to transfer a license or obtain a new license must be reviewed by the applicable government agency, which is often understaffed and underfunded. The license application should be made early enough to allow the government agency more than enough time to review and approve the license. Last, in terms of smart use of resources, it is often wise to engage a local expert who deals with the particular kind of license on a regular basis. By taking the above steps, the buyer and seller can make sure that the required license is not the holdup to closing.