

URL: <https://ecorner.stanford.edu/in-brief/deals-are-emotional-roller-coasters/>

Josh McFarland of Greylock Partners reveals how a deal for Twitter to acquire his startup, TellApart, almost fell apart. All appeared to be in order from his perspective, but the social-media giant's legal team raised some last-minute questions that seemed to put the nearly \$500 million deal in jeopardy. As the acquisition went through, the CEO of Twitter at the time, Dick Costolo, texted McFarland: "Every deal dies three deaths."



## Transcript

- This is a little dark, but this is sorta the deal team, this is the technical due diligence team within my company.. There were only about 13 of us who knew that this was going down.. And, we all gathered in my VP of Engineering's house and we worked all weekend to prepare ourselves for the meetings that happened next week, the next week.. And, we thought everything was going magically well.. And we basically were high-fiving after the meetings because everything was great.. And, then I got a call.. That call came from Kevin Weil who spoke here a few weeks ago, upper left hand corner who is SVP of Product and he was like, "Uh, we need to talk." And, so we jumped into a conference room at the Rosewood.. I drove down from the city, he drove over from Portola Valley and this is a picture of us here.. And then the other picture is of Adam Bain who is Chief Operating Officer.. So, there's kind of a threesome, or three-part deal team, the CFO, the COO, and then the SVP of Product who are all working on this deal..

And, the two of them, this is Adam doing his best I'm blowing up your deal face (chuckles), say legal has looked at your contracts, they don't agree with some of the wording, like we're really, this is not good.. And, I'm like, well, what are you talking about? Our contracts are written by one of the best law firms in Silicon Valley.. All of our customers signed them.. Their legal teams have been through them so I can't imagine what you would have to pick about.. And, by the way, it's just contracts.. I'm sure we can get through this.. And, for whatever reason, well, Twitter's legal team has a lot of clout at Twitter.. And, obviously, I mean, it's big company, they have a lot to defend.. But, it spun us out for about a month.. And, at one of the points I reached just a real stalemate..

And so, Adam and I got on the phone and we just kinda came to a head.. And, he's like, "All right, well, if you're gonna be "so dogmatic about this, I guess the deal's off." And, I said, well look, I told my team to put their pencils down, like, we're not working on this anymore until you guys come back with something more reasonable.. And, he's like, okay.. And, we just hung up the phone.. And, my heart just sank because we had worked so hard to get the deal all the way through and now I involved my team and everybody was getting spun up on what their future could look like with our two companies combined.. And, we really, I mean, it was dead, it was dead, dead, dead.. And then, a couple days later, the phone rang and they said, "Okay, we think we found "a clever way around this.. "Let's work it out." So, as luck would have it, everything came together, There's a nice little picture of our two logos mashed up which I think I made myself in Photoshop while being interminably bored on the phone with lawyers one night.. And, I wanted to screenshot this just 'cause it's pretty special.. So, Dick, who's the CEO, had texted me..

And this is like, the deal was clearly gonna go through.. It's like the morning that we were gonna announce.. And, he says, how you holding up? Did I ever tell you my M&A rule? Probably should've told you earlier.. Costolo's rule of M&A.. To which I answer, never go in against a Sicilian when death is on the line? (audience chuckles) Any Princess Bride fans? Okay.. He says, close.. Every deal dies three deaths before it closes.. And, that was really magical for me.. Our deal did not die.. Our deal went through..

This is a picture of us in what I still maintain is the world's largest coordinated champagne sabering ever.. (audience laughing) Everybody on the team got a champagne saber engraved with that deal logo that you just saw.. We went up to the roof of our building.. We filmed it by drone and I think it was executed absolutely expertly.. Only one person was harmed in

the making of the film.. And, it was just a very minor, very minor cut.. (audience laughing) But, this is really special.. And, it was really amazing.. So, to reinforce, you're in control of your destiny.. Think about this, think about how you wanna proceed with your company..

Expect three deaths and believe in what's called your BATNA, your best alternative to the negotiated agreement.. What made me so confident in holding my ground against Twitter is that we were running a really great company with really great characteristics that was very profitable and we knew we could always go back to being that...