MERGER "MUST-HAVES"

"Must-haves" are the terms that the seller of a CPA firm feels he/she must have in order to do the merger. The extent that the seller will insist on receiving his/her "must haves is dictated by the way the overall negotiations proceed. Each side usually makes compromises and terms that originally were "must haves" often become "nice-to-haves" at the end of the day.

Here is a list of "must haves" that we have seen by sellers:

MAJOR

1. Specific sales multiples.
2. Downpayment.
3. Payment term (expressed in years), including extent that interest is a "must have."
4. Retention clause, floors and ceilings.
5. Compensation of the seller at a certain level, while he/she works for the buyer.
6. Compensation guarantees for a year or more.
7. Seller wants to join the buyer as an equity partner.
8. All partners from the seller wish to be a partner at the buyer.
9. Seller wants buyer to assume his/her office lease.
10. Seller wants buyer to absorb 100% of any consultants' fee.
11. Allocation of purchase price between consulting and sales price.
12. Proceeds of WIP and A/R go 100% to the seller.

MINOR (Still important, but usually not as important as the "Major" items above)

1. Job title (partner, of counsel, consultant, etc.) at the buyer that the seller will have.
2. Amount of income seller is allowed to draw out during the year, prior to final distributions.
3. Continue as a generalist vs. being required to specialize in A&A or tax.
4. A targeted sales price for the seller's office equipment, furniture and computers.
5. Requirement that the buyer refrain from terminating any of the seller's clients.
6. Buyer must hire all or most of seller's employees.
7. Work indefinitely for the buyer, not subject to any mandatory retirement age.
8. Access to an office for as long as he/she works at the buyer.
9. Buyer's commitment that rates and/or fees won't be dramatically increased.
10. Commission to seller for bringing in new business.
11. Buyer must use certain software products used by the seller.
12. Location of the office.
13. Size of the buyer.
14. Buyer pays for tail insurance for the seller.
15. Targets that seller establishes for the buyer's partners re: billable & total work hours
16. Seller wants to have a "say" in how the buyer is managed, perhaps even a seat on the EC.
17. Seller wants access to buyer's staff.
18. Certain perks that the seller is used to having.
19. Seller wants a de-merger clause.
20. Seller wants to be paid for non-billable time (training, transition work, billing & admin).
21. Health insurance, even if the seller is over 65.
22. Ability to impact the wording of the merger announcement and usage of the seller's name.
23. Seller's trustee/executors fees flow to him outside of the merger.