

An Orange County Business Journal Special Report

ACCOUNTING

& Management Consulting



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A graphic featuring the letters 'Q&A' in a large, black, serif font. The ampersand is a lighter shade of gray. The text is enclosed within large, blue, square brackets.

A diversity of business sectors, ample capital held by investor groups, and demographic factors are some key drivers behind a robust mergers-and-acquisitions scene in Orange County. The fast pace of M&A activity means professional services providers, such as accountants, are in high demand to carry out sound due-diligence procedures and provide guidance.

The Business Journal's Jane Yu asked local accounting firm executives to share their thoughts on M&A activity in Orange County, as well as to discuss expectations for future trends and client concerns. Here are edited excerpts of their responses:

an M&A transaction would do a better job to increase the odds of success. We have more than 35 years of experience and have seen many issues derail M&A deals, including letting too much time lapse before the closing.

A seller should have all of its accounting records in perfect order. Past audited financial statements add tremendous value to a deal, but few companies have them. Having a CPA firm that handles M&A will shorten the due-diligence period greatly. Poor legal counsel on either side or an incompetent investment banker can quickly sink what would otherwise be a great deal.

Both the buyer and the seller tend to want to use their existing CPAs or outside corporate attorneys to handle M&A transactions, despite the fact that these professionals may rarely handle M&A work. This is an extremely specialized area and requires 24/7 attention when a deal gets hot. In most cases, it requires the CPAs and attorneys to work through nights and weekends to ensure the transaction stays on track.

One of the biggest enemies to an M&A deal is time. I watched a \$30 million Southern California manufacturing company acquisition fall apart because a delay of longer than a month took place while a New York law firm representing the buyer went dark every day at 5 p.m. Eastern Standard Time and the Costa Mesa law firm representing the seller didn't open up for business until 9 a.m. Pacific Standard Time. We were lucky to get a three-hour window per day when both law firms were communicating. It took weeks to

get a final agreement, and on the slated closing date, a Monday, the acquirer's stock dropped below \$10 per share, and the financing bank pulled all of its funding. Had it closed on the previous Friday, the seller would have had the \$30 million in his bank account.

Business owners must rely on professionals to advise them of all the potholes and landmines in the M&A landscape. It is most likely the biggest deal in their lifetime involving what is often their most valuable asset, and it requires speed and M&A experience from advisers.



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With about a 50% failure rate in the U.S., you would think that all parties involved in

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