



A STORY:  
CHANGE OF OWNERSHIP  
IN BLACK AND WHITE

October 2022

The business of acquiring businesses prior to Covid was fairly strong. And now with a year post-Covid under our belts, many companies are in the process of venturing into the acquisition world again. While brakes were being pumped in Q2 and now well into Q3 2022, many in the PE and privately held corporations are waiting to flip the switch in either late Q4 and Q1 2023. Whether to add to their portfolio or to broaden their footprint in order to diversify their business, one needs to keep in mind that you can't have a business without a license.

The question becomes:

1. Do you hire the same attorneys who are drafting the acquisition/sales documents?  
Maybe.
2. Do you use the CPA firms that are performing your due diligence? Possibly.
3. Do you do both? Don't know.
4. Do you do neither? Yes!
  - *Wait? What? Yes? Why do neither?*

- Short answer:
- Neither the Attorney nor the CPA firms understand your business licenses.
- Long answers:
  1. It's easier to let someone who is already handling the acquisition do this.
  2. Why bring in another company?
  3. The costs can be rolled up into the acquisition since that is part of the cost of doing business.
  4. We are already paying for top notch companies who say they can handle this.
  5. We don't have time to monitor this seemingly minor piece of the transition.
  6. Our attorneys and CPAs are invaluable to navigate legal issues or tackle complex financial information.
  7. They can figure it out.
  8. I could go on, but do I really need to?
- *Let me put this another way: There is more to Licensing than just getting a license.*

- Yes, CPAs and Attorneys are worth every penny (in their space) but they will seldom have the expertise or experience to navigate multiple government agencies.
- If you have deep pockets and want to pay huge billables for someone to review codes, research rules and regulations, and read through statutes only to discover that:
  - A. you may or may not need the license;
  - B. the license may or may not be transferable; or
  - C. you don't care.

Then go ahead and spend several thousands if not hundreds of thousands of dollars in addition to the cost of the acquisition to get the license(s) – *more on that later.*

- Where does this leave you? And why don't you have answers after all that research you paid for?
  1. 1. Because government agencies do things their own way.
  2. 2. Nothing is standard, yet most of the information they require is the same.
  3. 3. They speak a different "language."
  4. 4. Not all rules, regs and processes are published online.
  5. 5. Interpretation varies.

- *Why does any of this matter?*

Let me give you an example involving only one type of license: a Certificate of Occupancy or “CO” for short. During a recent acquisition of a huge, multi-state retail chain, a large firm conducted license ownership change research. They concluded that new COs needed to be applied for in most of the locations. Some argued that in a few locations, COs were not needed because they could not find any reference to them in the City ordinances. So, they made the decision to proceed with all new applications across the portfolio and tabling no action on the few that were “unfounded.”

- What followed was, well, in a word.....*Disaster*.
- The end.
- Well, not quite the end. A licensing team was eventually hired. And they heard an ear full from almost all of the various cities. Why? Because most of the buildings were at least 30 years old. Why is this important? Because making application for a new CO opened the door for the city inspectors and Fire Marshall to come in and demand (not request) that the building be brought up to today’s codes. That meant hundreds of thousands of dollars. That meant that the operations had to be shuttered until those updates could be made. That meant losses of millions of dollars. So a large firm not experienced in licensing, ticked off most of the cities, tarnished their reputation and almost cost their client more money than the cost of the acquisition.
- And to think, this was only one of the many licenses that each location needed to transfer due to the change in ownership.

- Needless to say, the client paid through the nose for research that was unnecessary and never knew how close to a financial disaster they came.

- Now, questions for you:

1. Do you want to spend unnecessary money?
2. Do you want to hire the right company?
3. Do you want to know that the job is being done correctly?
4. Do you want to have full transparency even if it may be unpleasant?
5. Do you want to rely on a continuing relationship to keep the licenses renewed after the deal is done?

- I would hope so!

- There is more to licensing than just getting a license! Let me repeat that.....**THERE IS MORE TO LICENSING THAN JUST GETTING A LICENSE.**

- Licensing is not cut and dried. It's a wild child. Of the over 74,000 licensing agencies in the US (and there are probably more) no single person or group can know everything single thing about every single license or about every single government agency. But you can know that hiring the right licensing person or licensing company can make a huge difference. That knowledge source (1) knows what questions to ask, (2) knows how to respond to comments, (3) knows what documents are needed and (4) can generally estimate the time it will take to get the license issued. In addition, they probably know most of these agencies, and if they don't, would be able to reach out to someone who does.
  
- **Knowledge is key. Contacts are invaluable.**



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