

## **Article - Mistakes Made by Architectural and Engineering Firms Attempting to be Acquired or Selling on Their Own – Part IV.**

Many have grown to rely on Stonemill Partners and our expertise when selling or buying an Architectural or Engineering firm. Our articles and other information resources have proven to be invaluable in transition planning and being represented for acquisition.

It is in that spirit that we offer the following content related to things we hear often:

This is the fourth in a series of short articles that will help in your planning as well as help to as a base for your conversations with us.

**1. Not adequately taking into account employee-related issues.** Transactions will typically include a number of employee issues. The questions that frequently arise in M&A transactions revolve around key employee treatment as well as a plan for retention and motivation of the company's employees. This is a dialogue between buyer and seller.

**2. Not understanding negotiation dynamics.** All M&A negotiations require a give and take attitude on both sides. This usually involves anything related to key non-financial terms which could turn in to a discussion, give and take, on purchase price.

**3. Not carefully negotiating earn-out provisions.** An earn-out arrangement provides a selling firm the potential to recover an additional payment following the closing, dependent on the financial performance of the business or achievement of designated milestones. The inclusion of an earn-out provision in an acquisition agreement can be useful in bridging the valuation gap between a seller and a buyer. Key points to negotiate for earn outs are:

- Identification of realistic financial milestones to be achieved before the earn-out is payable.
- What items are included or excluded from the calculation of the milestones?
- What is the timetable for the earn-out?
- What payments are required as milestones are achieved and when are payments made?
- Is there a cap on the earn-out payments?

**A brief note about Stonemill Partners:** Stonemill Partners is a mergers and acquisitions advisory firm working only in the A/E/C with companies like yours. We are looking to help others meet their transition objectives and to sell successfully. You can discover more about the Stonemill Partners' approach and see our listings at [www.stonemillpartners.com](http://www.stonemillpartners.com).

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