

M&A Nugget: Licenses – Odds and Ends

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When acquiring a business, it is important to understand the licenses needed to operate that business. Some licenses, such as professional and contractor's licenses, are obvious. There are many business activities that do not shout out as requiring a license, but for which the license is integral to operate the business. Here are a few examples:

- Locksmithing License
- Well Drillers License
- Salvage Yard Permit
- Bottled Water License
- Fire Sprinkler Contractors License
- Taxidermy License

Licenses are either required to be held in the company's name, a designated individual's name, or both. There may be different levels for a particular license, such as master, associate or apprentice. Usually, even with a license in the company's name, an individual who has gone through training and licensing, must be listed. For the purchaser entering into a new business, it can take weeks or even months to obtain the necessary licenses. It is therefore often crucial that the licensed individual agrees to allow the purchaser to continue to use the license and to provide services to the purchaser post-closing. The bottom line is that the purchaser and seller must plan for the purchaser to be able to operate with the requisite licenses on the closing date.