
Practice Continuation Agreements:

A Practice Survival Kit

Sample Group Agreement

THIS AGREEMENT, made and entered into this ____ day of _____, 20____, between JOHN DOE, JANE CITIZEN, RICHARD ROE, JOHN STILES, and RICHARD MILES as individual certified public accountants and directors of XYZ, PLLC (a professional limited liability company), all of which jointly and/or severely hereinafter are referred to as **Purchaser** and JOHN DOE, JANE CITIZEN, RICHARD ROE, JOHN STILES, and RICHARD MILES as individual certified public accountants and representing the licensed entities in which they practice public accounting in__as members of XYZ, PLLC, all of which severely hereinafter are referred to as **Seller(s)**.

W I T N E S S E T H :

WHEREAS, Purchaser and Seller are engaged in the practice of public accounting with their principal offices of business both being located in _____, ____; and

WHEREAS, the parties hereto each desire to establish an agreement so that in the event of the temporary disability of Seller, Purchaser shall furnish a competent staff person to handle work with the assistance of an individual of broader experience, or, if necessary, to furnish an individual who is capable of tax matters, reviews, collections, or supervision of a staff capable of handling their own routine matters, or, in the event of the death or total disability of Seller or his retirement from the practice of public accounting, Purchaser shall acquire the accounting practice of Seller and Seller shall transfer the same to Purchaser.

NOW, THEREFORE, for and in consideration of the mutual covenants and undertakings herein contained, and for other good and valuable consideration, the full receipt and sufficiency of which is hereby expressly acknowledged by each party hereto, it is agreed as follows.

Section 1. Definitions

The terms defined in this section 1 (unless the context otherwise requires) for all purposes of this Agreement shall have the respective meanings specified in this section 1.

1.1 Temporary Disability of Seller shall mean when he or she is temporarily disabled and unable to perform his or her duties for his or her clients as determined by a unanimous vote of purchasers to be for a period of time presumed not to exceed _____ (____) days.

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1.2 Total Disability of Seller shall mean when he or she is permanently disabled because of ill health, physical or mental disability, or having failed to perform his or her duties for his or her accounting clients for more than _____ (____) days.

1.3 Retirement of Seller shall mean a date specified in his or her written notice to Purchaser of his or her retirement from the practice of public accounting; such retirement date shall not be more than _____ (____) days nor fewer than _____ (____) days from the receipt of such notice by Purchaser.

1.4 Effective Date shall mean the earliest of the following: (1) the date of Seller's death, (2) the date of temporary disability, (3) the date of total disability, or (4) the date of retirement.

1.5 Return Date shall mean the date when Seller is no longer temporarily disabled, except that such term shall not include the period when Seller's temporary disability exceeds _____ (____) days.

1.6 Seller shall mean the name of the specific individual seller (seller's name), d/b/a (seller's name), CPA, except that in the event of the death or total disability of Seller, the term shall be deemed to mean the heirs, administrators, or legal representatives of Seller as legal circumstances require.

Section 2. Transfer of Accounting Practice

2.1 Accounting Services to Be Provided. Purchaser will commence within _____ (____) working days of the Effective Date to provide all public accounting services of any nature whatsoever requested by Seller or the clients whom Seller served on the Effective Date, provided, however, that Purchaser shall not be obligated to undertake any request or to serve any client of Seller if such action would violate the professional code of ethics of the State Board of Public Accounting, Society of Certified Public Accountants, or American Institute of Certified Public Accountants or adversely affect the professional reputation of Purchaser. In the event any client of Seller refuses to accept the services of Purchaser, Purchaser will reasonably attempt to see that such client is served by other certified public accountants.

2.2 Charges for Services. Seller shall guarantee to Purchaser the receipt of the normal hourly or per diem charge of the staff person or individual furnished by Purchaser during the temporary disability of Seller. Purchaser shall charge Seller's clients the regular and usual fees of Seller, which are in effect at the time such services are performed. Any differences shall be adjusted accordingly.

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Purchaser shall charge Seller's clients the regular and usual fees of Purchaser for services performed after the acquisition by Purchaser of Seller's accounting practice.

2.3 Delivery of Records and Files. Delivery should be within a reasonable time after the effective date, except for temporary disability.

2.4 Payment to Seller. In the event of Seller's death, total disability, or retirement, for the period ending _____ (____) years after the Effective Date, Purchaser shall pay Seller _____ percent (____%) of all fees (excluding amounts reimbursed by clients for expenses paid on their behalf by Purchaser) collected by it for services provided during such period from each client whom Seller served on the Effective Date, but in no event more than an amount equivalent to the total gross fees collected by Seller during the one (1) year preceding his or her death, total disability, or retirement on each client. (See Exhibit A, "List of Clients" attached). This ceiling amount shall be allocated among all clients of Seller based on their specific assigned value of the collected gross fees for the previous twelve (12) months. This client list with assigned values shall be the basis for payment to Seller by Purchaser. Any payment made shall be client specific, and such payment shall not apply to any other clients on the client list. If the client subsequently terminates the relationship with Purchaser prior to the end of the _____ (____) years, then no further payment is due on that client. If the client stays beyond the _____ (____) years and is not paid off in full, then the remaining amount of the client value to reach 100% of the allocated value to that specific client will be due to Seller by Purchaser as collections are made on that client beyond year five (5). Such payment to Seller shall be made within _____ (____) days from the end of the month during which such fees are received by Purchaser. The accounting records of Purchaser pertaining to Seller's clients may be inspected during normal business hours at the principal offices of Purchaser by Seller or his or her authorized representative at any time during the _____ (____) year period described above.

2.5 Work in Process. In the event Purchaser completes any project that was in process at the effective date and the work done prior to the effective date is billed to the client by Purchaser, Purchaser shall pay to Seller his or her proportionate share of the fee collected from the client for such work as determined by the ratio of the work done on the project at the Effective Date to the total work involved, less _____ percent (____%) to be retained by Purchaser for collection services.

2.6 Accounts Receivable. Seller shall retain all of the accounts receivable of his or her practice that are outstanding on the Effective Date. Purchaser will, when requested by Seller, render effective assistance in the collection of such accounts. Purchaser shall be entitled to retain _____ percent (____%) of all accounts receivable collected by Purchaser for collection services.

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2.7 Departing Clients. In the event that a client discontinues business for any reason, that client shall be excluded from any further payments, but if any of the principal owners of the client shall use the services of Purchaser personally or in a new business venture, that client shall be included for the remainder of the agreement. Any other client terminations shall be included to a maximum of the gross fee collected by Seller during the one (1) year prior to his or her death, total disability, or retirement.

2.8 Notification. Seller, at his or her discretion, may notify all of his or her clients of this agreement.

2.9 Return of Accounting Practice. Within _____ (____) working days after Seller notifies Purchaser in writing of his or her return date, Purchaser shall make available for transfer and return to Seller all of the files and other records pertaining to Seller's clients who accepted the services of Purchaser during Seller's temporary disability. This section does not apply to permanent disability, death, or retirement.

2.10 Work in Progress. In the event Seller completes any project that was in process at the Return Date and the work done prior to the Return Date is billed to the client by Seller, Seller shall pay to Purchaser its proportionate share of the fee collected from the client for such work as determined by the ratio of the work done on the project at the Return Date to the total work involved, less _____ percent (____%) to be retained by Seller for collection services.

Section 3. Assumption of Lease Obligation

3.1 Assumption of Leases. Within _____ (____) days after the Effective Date (except in the event of Seller's temporary disability), Purchaser shall assume Seller's rental obligations under any office space leases for the practice of public accounting in existence on the Effective Date.

3.2 Assignment. If Purchaser requests it, Seller shall execute an appropriate assignment of lease assumed by Purchaser pursuant to this Agreement.

3.3 Removal From Premises. Concurrent with Purchaser's assumption of any office lease, Seller will remove all his or her personal belongings from such leased premises.

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Section 4. Purchase of Furniture and Equipment

Within _____ (____) days after Effective Date, Purchaser shall offer to purchase from Seller the supplies, accounting systems, furniture, and equipment owned by Seller as of the Effective Date and utilized in his or her business office. The purchase price for such assets shall be their cost less depreciation to the Effective Date. If Seller accepts such offer, Purchaser shall pay the amount within _____ (____) days after such acceptance against delivery of the assets and an appropriate bill of sale executed by Seller.

Section 5. Noncompetition by Seller

Except upon return to work following total temporary disability, Seller agrees that he or she will not provide public accounting service of any nature as employer, employee, principal, agent, shareholder, or otherwise, directly or indirectly, for any of his clients who accept the services of Purchaser (except during total temporary disability of Seller), at any time during the period beginning with the Effective Date and ending on the date _____ (____) years after the Effective Date. If Seller does provide public accounting services in violation hereof to Seller's clients who accept Purchaser's services, Purchaser shall be entitled to recover damages and to obtain an injunction by any competent court of equity enjoining and restraining him or her and each and every other person concerned thereby from continuance of providing public accounting services to such clients or other act in aid of a rival concern providing such public accounting services to such clients in violation hereof.

Section 6. Noncompetition by Purchaser

Purchaser agrees that for a period of _____ (____) years following Purchaser's furnishing services to Seller hereunder, it will not accept employment or perform public accounting services for any client of Seller's who accepts Purchaser's services during Seller's temporary total disability unless Purchaser purchases Seller's practice from Seller.

Section 7. Indemnification

Seller covenants and agrees that at all times hereafter he or she will indemnify and hold harmless Purchaser against any and all liabilities, losses, damages, costs, or expenses of whatever kind or nature, including attorney's fees, that Purchaser may sustain or incur by reason of services rendered by Seller prior to or after the Effective Date or by reason of any act or omission, regardless of whether such action or omission arises out of negligence or malfeasance, whatsoever by Seller prior to or after the Effective Date.

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Purchaser covenants and agrees that at all times hereafter he or she will indemnify and hold harmless Seller against any and all liabilities, losses, damages, costs, or expenses of whatever kind or nature, including attorney's fees, that Seller may sustain or incur by reason of services rendered by Purchaser after the Effective Date or by reason of any act or omission, regardless of whether such action or omission arises out of negligence or malfeasance, whatsoever by Purchaser after the Effective Date.

Section 8. Disclaimer

It is agreed that this Agreement does not constitute Seller as being the agent, employee, or legal representative of Purchaser for any purpose whatsoever. Seller is not granted any right or authority to assume or to create any obligation or responsibility, express or implied, in behalf of or in the name of Purchaser. Nothing in this Agreement is intended so as to give to Seller any rights as a partner in the business of Purchaser or to entitle him or her to control in any manner the conduct of such business.

Section 9. Arbitration

The parties agree that any dispute or claim concerning this Agreement, including whether such dispute or claim is arbitrable, will be settled by arbitration. The arbitration proceeding shall be conducted by certified public accountants, one of whom shall be selected by each party, under the State General Arbitration Act or other applicable statute of the state of _____ in effect at the time a demand for arbitration is made. In case of the inability of the arbitrators to reach a decision, a third certified public accountant shall be selected by the arbitrators to serve as a third arbitrator. The decision of the arbitrators, including determination of amount of any damages suffered, shall be inclusive, final, and binding on both parties, their heirs, executors, administrators, successors, and assigns. Each party shall bear his or her own expenses in the arbitration for arbitrators' fees and attorneys' fees, for his or her witnesses and other expenses of presenting his or her case. Other arbitration costs, including administrative fees and fees for records or transcripts, shall be borne equally by the parties.

Section 10. Miscellaneous

10.1 Governing Law. This Agreement shall be governed and construed and enforced in accordance with the laws of the state of _____ .

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10.2 Benefit. This Agreement shall be binding upon and inure to the benefit of the respective parties hereto, their respective heirs, legal representatives, and successors. This Agreement shall not be assignable by either party hereto without the written consent of each party.

10.3 Termination. This Agreement may be terminated by either Purchaser or Seller prior to the Effective Date upon a _____ (____) day written notice delivered to the other party at his or her last known business address. All rights and obligations of the parties that have accrued prior to such termination shall survive the termination of this agreement.

10.4 Captions. The captions contained in this Agreement are for convenience of reference only and do not form a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

Executed in the capacity as Purchaser and Seller:

BY: _____
JOHN DOE

BY: _____
JANE CITIZEN

BY: _____
RICHARD ROE

BY: _____
JOHN STILES

BY: _____
RICHARD MILES

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EXHIBIT A — LIST OF CLIENTS

Client Number	Name	Cash Collected
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____