

## **MEDIATING THE DISSOLUTION OF A FIRM**

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*By Philip Zimmerman*

Cases involving CPA firm dissolutions can sometimes be mediated without a monetary requirement and certainly without the cost and risk otherwise faced by everyone. One such a case involved a CPA firm with two partners. For many years after the younger partner joined the firm as a staff accountant, the older, founding partner was actively involved in the practice and brought in most of the clients. Over time, the older partner gave more and more responsibility and equity to the younger one, until they were equal partners. The younger partner was putting in an increasing number of hours, without additional compensation, as the older partner, who was approaching retirement age, took more time off. Unfortunately, the partners did not have a partnership agreement.

When the partners sought the help of a mediator, the younger partner had already given notice that he was leaving the partnership and that he expected most of the clients to follow him. He also refused to compensate the older partner for this disparity, and there was no agreement on what to do about the substantial accounts receivable and work in progress.

The mediation settlement dissolved the partnership without any money being exchanged. The clients were to be allocated consensually, with fewer clients going to the senior partner. The accounts receivable and work in progress were to be cooperatively collected and equally divided. This settlement enabled the partners to retain all of the clients and collect all of the accounts receivable and work in progress. This would have been difficult had the clients known of the dispute between the partners. The partners also saved a great deal of the time and money that would have been required had they chosen to litigate rather than to mediate. □

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