

# Kellogg & Andelson Acquires Heacox, Horn & Wheeler

## Merger Brings New Industry Specializations

By SHELLY GARCIA  
Senior Reporter

Kellogg & Andelson Accountancy Corp. has acquired another Valley CPA firm, Heacox, Horn & Wheeler.

Terms of the deal were not disclosed.

The acquisition adds five staffers to the Kellogg & Andelson roster for a total of 51 U.S. employees. The firm's subsidiary in India employs an additional 60 workers.

It also adds about 350 clients and two new industry specializations, private schools and radio stations, officials said.

"A key element of Kellogg & Andelson's strategy for grow is acquisitions," said Christian Payne, president of the Sherman Oaks-based firm. "So it was in keeping with our overall strategy."

Payne said the firm screened about a dozen L.A.-area CPA firms and chose Heacox, Horn & Wheeler because of its industry specializations and its senior management.

"I was most attracted to the opportunity to work with Nancy as she has been very active

in the CPA community and the business community at large," Payne said.

Nancy Wheeler Chandler, who first joined Heacox, Horn about 30 years ago, said the firm was limited by its size and the difficulty of recruiting new professionals in the current environment. Regulations like Sarbanes-Oxley, which have required corporations and CPA firms to boost their accounting staff, have created a labor shortage for accounting professionals.

Left without younger partners who might take over management of the firm, succession planning became another factor in Chandler's decision to merge the firm.

"A lot of people are drawn to larger firms and the flexibility it gives them as well as the multiple offices," said Chandler. "They know they can go to a different location if

they need to."

Chandler's firm is not alone in worrying about succession.

A Management of Accounting Practice (MAP) survey conducted by the American Institute of CPAs (AICPA) found that succession planning was one of the two top issues for CPA firm managers.

"In the last few years its' been in the top two along with staffing," said Mark Koziel, senior technical manager of the AICPA's private companies practice section.

Unlike other businesses, partners in a CPA firm can only sell to other CPA firms and client retention issues should a partner leave, coupled with the complexities of partnership agreements, all contribute to the difficulty of fashioning a succession plan, Koziel explained.

For K&A, the acquisition is one of several recent moves to boost the size and geographic reach of the firm.

K&A also operates offices in the San Francisco Bay area and in Costa Mesa in addition to India.

Although the other domestic offices are still quite small, numbering just a handful of employees, the firm expects to boost its presence in those areas in the next few years, Payne said.

"They're really toeholds into larger markets," Payne said. "We wanted to get a good feel for what those markets were like before we plunged ahead committing a lot of resources to grow there."

Payne said the firm hopes to complete two more acquisitions this year along with further expanding its operations in India.

Private Equity