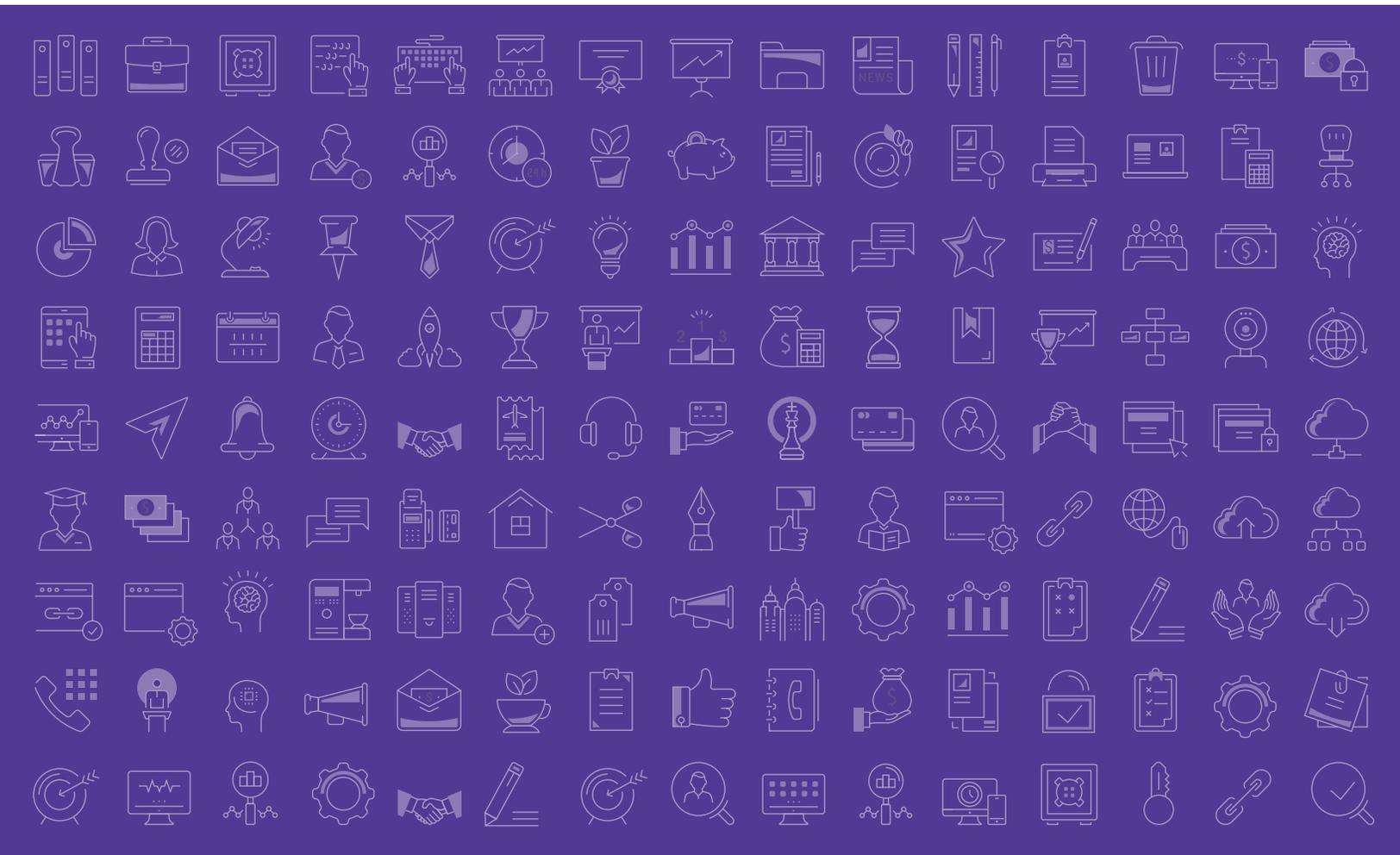


HOW TO SELECT M & A REPRESENTATION



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Selling your business may be the single largest business transaction of your career. More importantly, there is no dress rehearsal. Most of us will usually have only one opportunity, so we better get it right. Our family's future security depends on it. Some owners choose to sell their businesses on their own. Some get the help of their legal and tax advisors. However, we believe the best transactions are accomplished when an owner adds a skilled experienced business advisor to the mix. A business advisor is most useful when they have extensive knowledge and experience in the type and size of the business to be sold.

Broker your deal

Most people consult a professional when buying or selling a home; but when the transaction involves a business, many go it alone. Given the complexities and work involved, you have to wonder why.

A good business broker can market a business confidentially with minimal intrusion. The broker's duties include: determining market value, advertising, fielding responses, qualifying buyers, negotiating and structuring the deal.

The goal is to balance the interests of buyer and seller, leading to a win-win situation.

It's important to select the right broker and to determine the exact services provided. Someone who has experience in your industry and has worked with companies of similar size is best.

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As every owner knows there are a wide range of well dressed, well spoken, fully qualified and a few wannabe merger and acquisition advisors willing to rent you their expertise for the right to represent you in the sale of your business. How do you sort through the maze? We strongly urge every seller to **have an advisor** and after you have determined your specific needs, **select whoever you feel can best represent all of your needs.**

Some Suggestions on Selecting an Advisor

How can you be sure you will get the representation you need? Sometimes you could pay the same or a larger fee and not get the quality of representation you require. In other words you don't always get what you pay for. Sometimes you can get a lot less or hopefully you choose well and get a lot more value from your advisor.

Whether an intermediary presents themselves as an investment banker, a broker, or advisor or consultant, find out what services they offer, how they operate and then be prepared to do through due diligence on them. A little advance research will pay for itself many times over. See reference checking suggestions.

In order to truly add value to your M & A process, your adviser requires skills, knowledge and experience. Some intermediaries provide only an introduction to a buyer and are ready to collect a full fee from you when you have completed negotiating your own deal. Some intermediaries will tell you they charge no fee to a seller. They have buyers who will gladly pay their fee. This sounds very appealing initially. You may feel like you have nothing to lose. However, it is important to realize this is only to your advantage in some limited circumstances.

The broker's fee is always in the deal, savvy buyers will always offer to pay our fees because:

- They take you off the market and get an exclusive opportunity to put in an offer for your company with no competing offers.
- They often will offer to pay less for your business because they are the only bidders for your business. Prices generally go up if there are several interested buyers.
- They know intermediaries add value to their efforts to acquire quality firms.
- It's part of their transaction cost, hence the seller ends up paying anyway.

There are certain situations where using a rifle is more suitable than a shotgun. However, don't fall prey to this enticing ploy. It may cost you more than you will ever know. This is not meant in any way to cast a negative light on the many fine buyers who offer to pay fees. This word of caution is merely to provide you with some insight into this aspect of the M&A process. If your advisor cannot tell you why this Buyer Paid Fee approach is to your advantage, maybe a red flag should go up. You probably want an advisor who can handle this question to your satisfaction. ***It only serves the seller's interest under certain limited conditions. When was the last time you got something of value for nothing?***

Another type of intermediary may suggest you need to do a thorough and proper valuation on your firm to determine if it makes sense to proceed with a sale. At least these intermediaries have enough skill and knowledge to do this, unlike the

introductory or dating service provider mentioned above. However, don't be totally surprised to learn not only do you need this valuation service, but this intermediary knows someone (themselves) who is well equipped to provide such a valuable and necessary service at a cost to you which may be somewhere between \$10,000-\$40,000. Again, there is nothing wrong with this approach if you are fully informed.

In certain situations, perhaps it can help to have 15-30 pages of boilerplate valuation facts, valuation methodologies and cliches before you receive a value range that can be provided on the back of a cocktail napkin.

Unless the valuation information is required for resolving a divorce, partnership issue or for estate purposes, you may be getting a very expensive spiral covered **owner's ego booster** as a keepsake of the wonderful enterprise you have built. You should be able to obtain a value range at a lower cost especially if you or your accountant can do some of the work.

This is not intended to disparage valuation as a necessary part of the process, it is vital to know and agree on the value of the asset before embarking on a sale. Although valuation is, as much an art as a science, remember you just need the result, the value range expressed in numbers not a thorough historical analysis of the process.

Be prepared to be active in the initial information-gathering phase. Your advisor will need this information to help make a market for your business. Then immediately get back to managing your business, as if you still own it, and may own it for a while longer. The deal isn't done until the last payment clears your bank. Some owners have left for the beach a little early. Hang in there.

Reference: Checking Tips

Remember to thoroughly probe reference givers, as most sellers are relatively satisfied with their advisor, often because they lack a basis for comparison unless they have sold a business before. You may want to ask about some of the following areas: rate on a scale of 1-10

1. The quality of the representation you received _____
2. My representative always worked on my behalf _____
3. The advice received was extremely helpful and valuable _____
4. My advisor's integrity level was a _____
5. My advisor was creative, resourceful and diligent _____
6. I thought great care was taken to achieve my objectives _____
7. The process used was thorough and professional _____
8. My advisor was still working for me after the transaction closed _____
9. I would use this advisor again, if needed _____
10. I would recommend this advisor wholeheartedly to others _____
11. The advisors took sufficient time to get to know my company and my needs _____
12. I received personalized care, not just part of an assembly line _____

A little bit of research in advance can pay excellent dividends. A well-informed buyer will receive more out of their transaction. Good luck and try to enjoy the process; it's a wonderful ride.

Sam Sacco and Brian Kennedy operate R.A. Cohen Consulting, a trusted M&A Advisory service that caters exclusively to the staffing industry. Since 1991, we have advised on hundreds of successful transactions.

Call us at 910.769.4057 or 416.229.6462 respectively.

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