

Choosing an Advisor To Help You Buy or Sell a Business

Choosing the right advisors to assist you with buying or selling a business can have a tremendous impact on the outcome of a transaction - not only in financial terms, but also on whether the deal closes at all. Unfamiliarity with issues such as the proper deal terms, the tax consequences of deal structure and industry practices can lead to a less than optimal outcome for you. For example, the tax impact to the buyer and seller oftentimes becomes an important issue during negotiations because many deal structures create a benefit to one party while at the same time creating a detriment to the other. Advisors familiar with alternative structures, M&A tax laws and similar transactions can lend a significant edge to achieving a mutually agreeable outcome.

The negotiation and completion of a transaction can generally involve two to three professional advisors for each of the buyer and the seller, including a lawyer, an accountant and an intermediary/investment banker. A lawyer generally has a large role. He or she can propose a structure, draft the agreements for the transaction, conduct negotiations and ensure that all of a party's agreements and obligations are legally enforceable. The accountant can help the buyer or seller review the business's financial records, assemble new or adjusted financial statements, conduct financial due diligence and give tax advice. The intermediary/investment banker can prepare the offering memorandum, market the business to qualified buyers, provide information on similar transactions, and, in general, insure that the progress of the transaction remains on track.

When hiring these professionals, it is important to keep in mind that, just as selling your business is not a routine business transaction for you, it is generally not a specialty of many lawyers or accountants. Therefore, your current lawyer or accountant may lack the specific expertise in M&A transactions to effectively complete the deal. Larger accounting and law firms may have someone on staff who is an M&A specialist who can work with your usual contact at the firm to lend their expertise. If your accountant is a sole practitioner or a member of a smaller practice, it may be necessary to obtain the necessary expertise from another firm. M&A experts, working together with your current legal and financial advisors, will help expedite the transaction and ensure the likelihood of a more favorable outcome for you. Expertise can be determined in a number of ways, including by simply asking the professional to disclose the number of M&A deals they do on an annual basis.

Transaction expertise in your specific industry is another plus for an advisor. Although there are many common threads across all M&A transactions, every industry has its own nuances. Finding advisors with specific knowledge about transactions within your industry will give you benchmark knowledge of how certain issues are generally handled. In addition, industry buyers may focus on only a few specific metrics for your company in order to determine its value. Familiarity with these metrics allows you to best position your company to achieve its full value.

MET Advisors, Inc.

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Contracting with an intermediary firm, such as MET Advisors, Inc., also helps to keep the transaction on track. Because the intermediary's sole focus is the transaction, he or she is often instrumental in keeping a deal moving forward. Many intermediaries have gained expertise in certain industries and can provide you with an advantage during negotiations. Intermediaries add value by offering professional advice and knowledge of similar transactions, bringing potential buyers to the table and functioning as the "middleman" in communications between the parties. The middleman role is extremely important since any potential relationship problems that may arise between the two parties due to heated deal negotiations can be attributed to the intermediary. In this manner, any adverse impact to the future buyer/seller relationship can be minimized.

Finally, it is important to keep in mind the purpose of your advisory team: to help you consummate a transaction. Although you have retained these professionals to provide you with sound advice during negotiations, final decisions must be made by you. Keep in mind that your accountant and attorney are paid according to time spent on your transaction. If you feel they are unnecessarily stalled on an issue, then it is your prerogative to direct them to your desired outcome and to change their focus to other outstanding issues. Choose your advisors on the basis of their experience and your comfort level with them. Remember, once the transaction has been completed, the outcome will most directly impact you, not them.

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