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*September 2016 - In This Issue:*

**CHOOSING A BUSINESS BROKER /  
INTERMEDIARY**

**THE ROLE OF AN ADVISOR**

**WHAT IS MY BUSINESS WORTH?**

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## **THE ROLE OF AN ADVISOR**

**A paragraph in our Agreement  
with our Clients states:**

**Zoellner's business is advising  
business Owners that wish to sell  
their businesses, and advising  
buyers of businesses.**

**What does it mean to be an  
"adviser"?**

The dictionary definition of "Adviser" as "to give an opinion or suggestion, to give advice". I thought of this recently when listening to the Golf Channel on Sirius radio. The speaker was talking about what it means to be an effective golf coach. If you look up the definition of "coach" the first word you will see is "teach". And teaching means "to

## **CHOOSING A BUSINESS BROKER / INTERMEDIARY**

Selling a business is a complex undertaking. A good business broker has the knowledge and experience to manage the process, which requires ability in multiple disciplines including accounting, finance, taxes, law, business improvement, valuation, marketing, sales, interviewing, written and verbal communications, negotiations, customer service, collaboration with other professional advisors and sometimes real estate.

### **12 - Item Summary**

- 1) A good broker should have several years of business broker experience and completed several business sale transactions. Alternatively, a business broker with less experience who meets other criteria established here should have evidence of a strong mentor with the necessary knowledge and skill.
- 2) A broker should be working full-time in business brokerage.
- 3) At the appropriate time, a business broker or M&A intermediary should be willing to provide references to past seller clients.
- 4) A business broker should be willing to spend several hours talking with you (at no or minimal charge, with no obligation) to gain a better understanding of your situation, your goals and your business, and provide you some insights into the process of selling your business. As a result of such a meeting, the broker should be able to identify some of the obstacles you might have to overcome to successfully sell your business.
- 5) Many business brokers will provide an opinion of a business' value at no charge or a small upfront fee that is credited upon the successful closing of the business. To do so, brokers may request 3 - 5 years of financial statements and/or tax returns, as well as year-to-date financial statements for the current fiscal year. The business broker will usually create an analysis of the Seller's Discretionary Earnings (SDE)

transfer knowledge". How does that relate to services we provide to our clients?

We as advisors are being engaged to transfer our knowledge for the betterment of our clients. Two issues - do we have knowledge, and can we effectively communicate it? Knowledge comes from experience and learning. Yes - we have college and post-college degrees - formal education. More importantly we have been involved in literally hundreds of transactions - and we've learned from each one. We belong to number of professional associations that continually provide articles and information. Our many Industry Associates plus accountants, attorneys, bankers, and others are available for input and advice. That is not to say we always have answers - because that's impossible. But we do have resources to call on when an issue arises or there are questions. And sometimes it's not that we have an answer, it's that we haven't missed the important questions.

We firmly believe that if there is knowledge, effectively communicated, there will be good decisions made. We look forward to working with you.

## WHAT IS MY BUSINESS WORTH?

It will cost you absolutely nothing and there is no obligation in giving us a call or an email to request a simple valuation of your

and, taking into account other factors previously learned about the business, be able to provide an estimate (or opinion) of the value of the business. The broker should be able to explain the methodology of his/her estimate so you have a full understanding as to how the opinion of value was calculated. Similarly, the broker should identify obstacles that need to be considered and possibly addressed, while also discussing ways to increase the value of the business. If done properly, the information provided by the broker's effort is extremely useful and valuable to a business owner.

6) Most business brokers are compensated on a contingency basis, or with a modest Initial Fee plus a Success Fee based on a completed transaction. Compensation varies and is almost always based on the size of the transaction, with lower percentage rates on larger sales. A good business broker will require an "exclusive right to represent" the Owner/Seller.

7) A good business broker or M&A intermediary will inform you of the importance of confidentiality and the steps they take to assure confidentiality. Keep in mind, intermediaries obtain non-disclosure (or confidential information) agreements from prospective buyers before releasing the seller's company information to them. Many times business owners create their own confidentiality issues by telling other people they are selling their business. Once you make the decision to sell, don't tell anyone!

8) A good business broker will qualify buyers for technical and financial capabilities. The extent of the qualification process varies from broker to broker. Much depends on the nature of the business and the likely profile, including required financial capabilities, of the buyer. If the screening is too tight, you may lose a qualified buyer. If it is too lax, you may be exposing your business to people who have no ability to acquire the business. The broker should be able to explain their pre-qualification process/philosophy. Make sure you are comfortable with the business broker's approach before signing the listing agreement.

9) A good business broker will explain the marketing plan for the sale of your business to you. At a minimum, it should include a comprehensive marketing package prepared by the broker that will be provided to prospective buyers after they sign a non-disclosure agreement. It is important that business brokers post "blind descriptions" of their listings on the most popular business-for-sale websites.

10) A good business broker should understand business acquisition financing, especially Small Business Administration (SBA) loan standards and qualifications. Prior to the banking crisis in 2008, it was possible to sell a business with little or no seller financing. Yet there were brokers, even in those days, who told business owners they had to finance all or most of the business purchase price. Although there may have been instances when that was needed, it was not necessary as a

business. Relying on a professional that understands your industry is important. It is also wise to work with someone who is aware of current trends; and that is working with both buyers and sellers daily. This approach insures you plan for and receive the maximum return on the transfer of your business.

## **INDUSTRY KNOWLEDGE & ACCESS TO BUYERS NATIONWIDE**

Our presence as a Professional Business Broker is extended nationally as a result of being an affiliate of [BHarmony, LLC](#). We also bring decades of experience and functional expertise in all the popular market segments as a result. Nothing takes the place or value in that of experience.



We partner with our clients to deliver solutions that help solve their most complicated needs prior to, during, and at the conclusion of the selling process. Our services are designed specifically to help small/medium size businesses and at a small business price. We go beyond the norm to develop new insights, prepare, market and drive results in the sale, thus insuring you receive the most value at closing.

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general rule. However, times have changed. It is still possible to obtain SBA loans, but now, for the most part, the SBA requires the seller's participation in financing the acquisition. Seller participation can be as little as 10 - 20% of the purchase price. The requirements can vary significantly depending on the nature of the company, the buyer's qualifications and financial capability and the purchase price of the business.

11) A good business broker should always maintain his/her personal integrity and perform to a high standard of moral ethics, advising the client to do so as well.

12) A good business broker does not pressure a prospective seller to make an immediate decision to sign a listing agreement. The decision to sell a business should be a process. The broker should provide an opinion of the business' value, discuss the potential obstacles to a sale and offer suggestions that might increase the value of the business.

## **Expect "Tough Love" From Your Intermediary**

After completing an evaluation of your business, an experienced business broker should be able to tell you, in terms you can understand, and within about a 5% - 10% range, how much your business can be expected to be sold for. He also should be able to explain the obstacles (prospective buyer's objections) that might be encountered and how you can counteract them.

If, in the process of considering an intermediary, you get the feeling the broker is "playing to your ego" or "blowing smoke," run the other way - fast. The broker is not helping you set realistic expectations, is setting you up for disappointment down the road and is not likely to succeed in selling your business. He will waste your time, his own time and the time of any prospective buyers that take the time to consider the business. Most qualified buyers will not even look at businesses if they sense the existence of unrealistic expectations and/or major obstacles without solutions.

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### ***Next Issue***

**[The Top 10 Ways To  
Increase Your Business  
Value](#)**

## Contact Us

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