

## **What is the difference in the terms “Business Broker”, “Business Intermediary” and “M&A Advisor”?**

As the economy recovers, banks begin lending, and businesses are again becoming available for sale, many business brokers are “retooling” their expertise and rethinking their approach to the marketplace. To brand or re-brand themselves, some practitioners are altering the professional designations they use. A short explanation may prove helpful.

Intermediary is a generic term used to describe go-betweens, such as brokers involved in selling businesses. Often, professionals dealing with main street businesses use the term *Business Broker* while those who specialize in companies with a “transaction market value” higher than the value of main street companies describe themselves as *Business Intermediaries*. In Florida and several other states, business brokers and intermediaries must hold active real estate licenses.

An “M&A Intermediary” may be a credentialed professional advisor such as a CPA or Attorney. They may also be Business Intermediaries who deal with larger businesses needing specialized expertise. “M&A Advisors” may or may not be licensed in securities. Financial Intermediaries who deal with the largest companies are referred to as *Investment Bankers*. Investment Bankers are licensed with the SEC.

Intermediaries lead buyers and sellers through the complex selling process. They perform a myriad of activities that relate to the marketing and selling of businesses. Your CAA intermediary will collect the seller’s financial information, recast the financial statements and prepare a preliminary opinion of market value. Depending on the size of the business, the intermediary will also prepare an offering portfolio for the business. The business will be marketed and presented only to qualified buyers. Site tours are arranged with your intermediary present.

The sales process for smaller businesses is relatively streamlined and the purchase offer may be made using a “Preliminary Asset Purchase Agreement”. Larger business transactions follow a more formal process and a “Letter of Intent” (LOI) and Term Sheet may be used. Once a preliminary purchase agreement or LOI is signed, your intermediary will coordinate the due diligence activity. CAA will work with the buyer and/or the seller once an offer is submitted, and continue to see the deal through the closing. Throughout the entire process, your intermediary will keep the deal moving forward.

While the sales process is occurring, the seller must continue to run the business. This is not the time to neglect the day-to-day operational and strategic issues. The time taken away from running the business may affect the ultimate value the business sells for.

**YOU CAN FOCUS ON RUNNING YOUR BUSINESS.  
CAA WILL FOCUS ON ITS SALE.**

## Chart of Major Difference to Expect

<b>Topic</b>	<b>Business Broker</b>	<b>Business Intermediary</b>	<b>M&amp;A Intermediary</b>
<b>Size of Business (Sales)</b>	\$100k- \$1M	\$1 – 5M	\$5M – 100M
<b>Type of Businesses</b>	Retail Stores Restaurants Professional service firms Service providers	Manufacturers Distributors Professional service firms Service providers	Manufacturing Distributors Large multi-location service firms
<b>Documentation</b>	Minimal documentation Brief write-up	Extensive documentation Brief offering memorandum	Extensive offering memorandum ("the book")
<b>Type of Buyers</b>	Individuals Local financial buyers Competitors	Strategic and Financial Buyers, both individual and corporate, Private Equity Groups	Strategic Buyers Private Equity Groups National/International focus
<b>Compensation</b>	Generally Commission only 10 – 12%	Small retainer and "Lehman" based commission Minimum \$100k	Retainer and negotiated commission
<b>Sale Process</b>	Advertising E-Mail blasts Multiple listing service	Controlled auction Process oriented time line	Controlled Auction
<b>Duration of Contract</b>	12 months (per real estate laws)	Renewable 6 month contracts	Generally 12 month renewable contract
<b>Financials</b>	Use of very limited figures Quick Books	CPA "Compiled" or "Reviewed" Financial Statements	CPA "Reviewed" or "Audited" Financial Statements
<b>Decision Maker</b>	Founder/CEO	Founder/CEO and Board of Directors	CEO, Stakeholders and Board of Directors

## Other Differences: Terms Used

<b>Business Broker</b>	<b>M&amp;A Advisor/Intermediary</b>
Listing	Engagement/Assignment to Sell
Down Payment	Equity Injection/Infusion
Seller	Client
Transition training	Post Acquisition Integration
<b>Documentation:</b>	
Standardized Purchase Agreement	Term Sheet/LOI
Brief Listing Write-up	Offering Memorandum
Little formal documentation	Operational flow charts, organization charts, Policy and Procedure manuals, Position (job) descriptions
<b>Structure:</b>	
Asset sale transaction	Stock, asset or hybrid transaction
2-4 week "free" buyer training	Employment contracts for key management
<b>Participants</b>	
Broker, Seller, Buyer, Closing Agent, SBA specialist	M&A Attorney, CPA, Financial Advisor, Real Estate Attorney, Environmental Consultant, Labor Law Attorney, Intermediary, Seller, Acquisition Team, Banker/Funding Source