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Affairs | Lieutenant General
Kenneth Hunzeker
 September 13, 2018 | 5:00 to 7:00 PM
 Drake Hotel | Oakbrook, IL

MBBI Chicago Event
The Art of the Transition
 October 2, 2018 | 5:00 to 7:00 PM
The Drake Hotel
2301 York Road
Oakbrook, IL

MBBI Chicago Event
The Art of Allocating Risk
Between Buyer and Seller
 November 13, 2018 | 5:00 to 7:00 PM
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MBBI Newsletter August 2018
Even Buyers Get Value from the Broker

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BOOTSTRAP CAPITAL

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in addition to overall firm management, John is responsible for sourcing new investment opportunities and leading the firm's efforts regarding transactional due diligence, structuring and negotiations. He was previously the Director of Northern Trust's Business Owner Consulting practice. John is a Member of the MBBI Board of Directors. You can reach John by phone at 312.735.7534 or by email at JHonney@Bootstrap-Capital.com

Small business buyers, and even many sellers, love to complain about brokers and investment bankers. During a contentious deal, we have heard some epic rants and may have even indulged from time to time ourselves. But the truth is that these advisors bring significant value to the deal process that benefits both buyers and sellers.

How do Brokers Add Value?

Accelerator

Brokers add credibility to business owners' processes which causes buyers to act with a sense of urgency and the deals to move more quickly. Similarly, a broker's involvement signals to buyers that owners are committed to selling their companies and that they have reasonable valuation (and other) expectations. Through these signals and by formalizing the sale process, brokers reduce the number of broken deals and make the deal processes more efficient.

Auctioneer

Brokers can bring many potential buyers into a process and have the resources to keep the process moving with several of them at a time, especially early in a process prior to the execution of a letter of intent. While buyers would prefer not to have to compete for deals, the resulting increase in price may be a fair trade-off for the deal process efficiencies brokers provide.

The Midwest Business Brokers and Intermediaries (MBBI) association offers educational meetings, conferences and events to assist members in achieving and maintaining the highest levels of professional standards and qualifications. MBBI is comprised of business brokers, M&A intermediaries, investment bankers, attorneys, accountants, bankers, SBA lenders, valuation service providers, individual buyers, private equity groups, wealth managers and corporate buyers who collaborate to create the most valuable experience for respective clients. The united effort of educated professionals insures the highest standards, ethics and efficiency when buying, funding, and selling small and medium-sized businesses.

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It may be counterintuitive that an aggressive broker can keep the peace. By leading the negotiations, however, a broker can preserve the seller's role as "good cop" and protect the relationship between the buyer and seller, who frequently must work together following deals in the lower middle market.

Detective

The smaller the deal the more likely a seller's advisor will be aware of, and may have relationships with, more potential buyers than the business owners previously knew. But even in larger deals, it is rare that an M&A advisor cannot materially expand the list of serious buyer candidates. It is their job to understand the acquisition strategies of as many buyers as possible. The good ones do this well and help both buyers and sellers find each other.

Recommendations

Despite our endless search for the unshopped deal, we do recommend that all business owners who intend to sell their companies should retain an M&A advisor or a broker. We reluctantly admit that, while the sellers reap the most benefit from a broker's involvement, we buyers also benefit. It is important, though, that business owners run a fulsome evaluation process so that they identify and ultimately retain the advisor who is most qualified and experienced in selling businesses similar to theirs. An unqualified or inexperienced broker can destroy as much value as a good one can create.

Bootstrap Capital

If you are aware of business owners who would like to sell their companies, please consider introducing them to Bootstrap Capital. We are keenly in tune with the issues business leaders face when they decide to sell their companies, as well as many other nuances of transacting in the lower middle market. Bootstrap Capital is a patient counterparty and can be a constructive partner in helping sellers through the sale process. We also understand the roles that brokers play in sale process and appreciate each and every deal they bring to our attention.

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