

Hammerman: What a Buyer Should Know Before Hiring a Broker

Most reputable brokers are referred by word-of-mouth, so keep your ear to the ground.

By **Ted Hammerman**
for **Office.Com**

Nov. 15, 2000— I previously offered tips to sellers in search of a telecommunications broker, so now is a good time to consider criteria for brokers that represent **buyers**.

Before hiring a broker, a buyer should know what to expect. Finding a quality broker to represent your interests zealously is paramount. New buyers need to be aware of the potential risks involved in entering the telecommunications arena, including how to distinguish the good brokers from the bad.

For industry newcomers, most reputable brokers are referred by word-of-mouth. To find one, talk to other industry professionals and ask them for recommendations and referrals. Meet with the brokers. Ask for references and take the time to check them.

During your interviews, ask the following questions:

- What is the broker's extent of knowledge in your niche of telecommunications?
- How long have they been in business?
- Can they verify their status in each state in which they do business?
- Does the broker presently have company listings available?
- Can they assist your business in due-diligence reviews? If yes, to what extent?
- What are their fees or commission charges?

In addition, make sure the broker displays the level of professionalism you desire. "The telecommunications industry has a language all its own. Finding an experienced and reputable telecom broker to assist you in acquisitions is essential," offers Kimberly Neill, a telecommunications broker and director of enhanced services for Career Communications Corp. in Margate, Fla.

Buyers may want to contact the Telecommunications Transaction Brokers Association when searching for a broker. TTBA offers nationwide referrals, information on telecommunications companies for sale and allows buyers to post classifieds for free on its Web site.

**Don't skimp on the price of your prepurchase
due-diligence review.**

An experienced telecommunications broker can assist buyers in identifying their competition prior to entering a new market. That knowledge better enables the buyer to gauge its potential level of success.

"Don't rely on another broker's or a seller's verbal representations or financials not tied directly into federally filed tax returns," Neill explains. Verify the seller's customer lists, customer contracts, service agreements, state and federal certifications, and filed tariffs.

A broker can assist you in the collection of that data, but an attorney also should conduct a review.

Formal legal review gives the buyer two benefits. First, it creates a lawyer-client relationship that raises the standard of review that must be performed. Next, in the unfortunate event where important information may be overlooked by a broker, all the broker may give you is an apology. If a lawyer does shoddy work, it may give you a claim against your attorney for legal malpractice.

Don't skimp on the price of your prepurchase due-diligence review. The money will be well-spent uncovering potential problems, ensuring there are no problems and building a strong foundation upon which to build your telecommunications business.

"Unless the broker has been retained to assist you in acquiring the assets or purchasing the stock of a company, never pay fees up front," Neill says. A buyer's broker should be paid at the same time, and in the same proportion, as the funds paid to the seller.

"And," Neill adds, "you shouldn't have to pay any fees if the broker is unsuccessful in helping you consummate the deal."

Locating the right broker in today's climate can be a challenge, but taking your time and making the right choice now can lead to a healthy return on your initial investment later.

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