

# “The Path to Success”

ACCOUNT-  
ABILITY

PRODUCT-  
IVITY

GRIT

**You will be tempted to do anything other than the work needed to succeed. Keep it simple and execute on these three key strengths.**

- EliteA6

A person is climbing a vertical rock face. The scene is set against a bright, hazy sunset or sunrise sky. The climber is in silhouette, wearing a harness and using their hands and feet to grip the rock. The rock face is textured and appears to be part of a larger cliffside. The overall mood is one of perseverance and achievement.

**“Success isn’t always about greatness.  
It’s about consistency.**

**Consistent hard work leads to success.  
Greatness will come.”**

quote by -Dwayne Johnson

# “Buyer Preparation”

1- Available Liquid Funds?

2- Source of Funds?

3- Personal Credit Score?

4- Min. Annual Income Needed?

5- Work History?

# “DREAM TEAM”

1- Accountant?

2- Attorney?

3- Business Broker?

4- Any Other Advisors?

# “SBA Preparation”

1- Certified SBA Lenders?

2- Preferred SBA Lenders?

# “Business Priority List”

Strengths

Weakness

Industries of Interest

## “Liquid Funds”

**Loan Amount** **\$300,000**

**Working Capital** **+\$40,000**

**Inventory** **+\$30,000**

**Loan Fees** **+\$10,000**

**New Loan Amount** **\$380,000**

**$\$380,000 \times .10 = \$38,000$  - Liquid Funds Needed**

# “Funding Options”

- 1- Personal Funds
- 2- Seller Financing
- 3- SBA Loan
- 4- Bank Loan & Credit Union
- 5- Online Business Loan
- 6- Online Personal Loan
- 7- HELOC
- 8- 401 (K) Rollover
- 9- Friends & Family
- 10- Microloans
- 11- Crowdfunding

# “Loan Calculation”

**Loan Amount** **\$400,000** (3 x \$133,000 SDE)

**Downpayment** **- \$40,000**

**New Loan Amount** **= \$360,000**

**6% interest rate 10 year amortization = \$3,996 a month**

**\$133,000 SDE / 12 months = \$11,083 SDE a month**

**Monthly loan debt service = \$3,996 a month**

**\$11,083 SDE - \$3,996 debt service = \$7,087 remaining**

# “Business Core Strengths”

**Owner Depedancy**                    1   2   3   4   5   6

**Growth Potential**                    1   2   3   4   5   6

**Diversification**                    1   2   3   4   5   6

**Business Necessity**                    1   2   3   4   5   6

**Customer Satisfaction**                    1   2   3   4   5   6

**Financial Performance**                    1   2   3   4   5   6

# “Business Search Options”

## 1- Cold Calling

Cold call business owners and ask if they would like to sell their business. It's as simple as that.

## 2- Business For Sale Websites

There are a number of websites out there that advertise businesses for sale. These are business owners who are already motivated and willing to sell their business.

## 3- Business Brokers

A business broker can help you find a profitable opportunity that fits your financial means and experience. A quality broker will take the time to interview a buyer and figure out what business opportunity will be the best fit.

## 4- Other Business For Sale Advertisers

Check your local newspaper, local online classified ads and even Craigslist. You never know where you are going to find that diamond in the rough.

## 5- Networking

Let people know that you are looking to purchase a business. Get involved with Facebook and LinkedIn groups. Post on these groups and let them know what you are looking for. Contact local accountants and attorneys. These professionals work with business owners daily.

# “Sales Presentation”

## Buyer

As you approach the gate keeper you will ask; **How are you doing today? Is the owner in?** (I like to get straight to the point. You want to act assertive yet professional in these initial stages).

## Gatekeeper

Most likely the gate keeper will respond by saying; **Can I ask what this about or/can I tell him/her what this is in regard to?**

## Buyer

Then you will respond; **I completely respect your position, I am not here to sell him/her anything; I am here only to discuss a very confidential business matter that the owner would be appreciative to hear. All I need is 2 minutes.**

## Gatekeeper

If the Gate Keeper still does not allow admission into the castle, by saying; **he is not in, can I take a message?**

## Buyer

This is when you will respond by saying; **you sure can but is there a quicker way of getting a hold of him? I am confident that he is going to want to receive this information as soon as possible.**

# “Prospecting Questions”

## 1- Sellers Motivation

When deciding if it is worth it to continue moving forward, your first priority will be gauging the motivation of a seller.  
A SELLER MUST BE MOTIVATED!

## 2- Business Financials

Make sure you view the businesses financials as soon as possible. You do not want to waste time on a business that does not have strong and consistent numbers.

## 3- Future Exit Plans

Ask the owner what his/her future entails after they sell the business. This question will assist in gathering information on the true motivation of the seller.

## 4- Decision Maker

Make sure the business owner makes the final decisions. Sometimes a spouse or family member needs to be involved during the decision making process.

## 5- Acquisition Package

Make sure you understand all that is included in the sale. What is included in the sale? The business? The equipment, Inventory, Real Estate, Goodwill, etc.

## 6- Business & Industry Expansion

Is there room for the business to grow? What's kept the business from expanding? Is there room for growth within the industry? What is the general perception of the industry and what is the outlook for the future? .

## 7- Market Share & Evolution

Can the business continue to control enough of their market share to stay profitable? Know the competition and where the business sits within its market. Have the business's products or services changed or evolved over the years?

## 8- Reputation

You will need to assess the company's reputation and the strength of its business relationships. Ask the owner how he feels his reputation precedes him amongst his peers.

# “Business For Sale Websites”

## 1- BizBuySell.com

This site ranks higher in the US for US companies. They have a heavy flow of traffic visiting their site on a daily basis. This site gives the options to buy a business, sell a business, they offer help with financing, and they can help you find a business broker near you. They also advertise that they are the “internet's largest business for sale marketplace”.

## 2- BizQuest.com

This marketplace has partnered with The Wall Street Journal. The advantage of working with this site is, the ads that are posted are sent to partner websites like The Wall Street Journal and New York Times. BizQuest is one of the most popular sites to search when looking to buy a business.

## 3- BusinessForSale.com

This site is strong for international buyers and sellers. Due to the international aspect, it has the strongest traffic. This site can be an excellent option if you are looking at buying an international business.

## 4- DealStream.com

Formerly known as MergerNetwork. Not only is it a marketplace where people buy and sell businesses but it also offers real estate, mineral properties, commodities and other investments. This site also is strong in giving important advice when looking for a business acquisition opportunity.

## 5- BusinessBroker.net

Another high ranking site with heavy amounts of traffic. This site also has financing options and a loan center. I have found this site to be a little difficult when trying to narrow down a search because it has so many listings.

## 6- BusinessMart.com

Has both businesses and franchises available, as well as resources and services to help you get the funding you need to buy a business.

## 7- LoopNet.com

This site has one of the largest databases for commercial real estate, it is also a reliable resource when it comes to discovering businesses for sale in your region.

# “Financial Statements”

## 1- Balance Sheet

At a specific place in time, a balance sheet provides detailed information about a company's assets, liabilities, and shareholders' equity. The balance sheet is a business' financial statement that gives a snapshot of what a business owns and obligated to pay, as well as the amount the shareholders have invested.

ABC COMPANY Balance Sheet 12/31/2019	
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash	\$12,000
Accounts Receivable	35,000
Inventory	120,000
Prepaid Rent	8,000
<b>Total Current Assets</b>	<b>\$175,000</b>
<b>Long-Term Assets</b>	
Land	\$126,000
Buildings & Improvements	300,000
Furniture & Fixtures	50,000
General Equipment	125,000
<b>Total Fixed Assets</b>	<b>\$601,000</b>
<b>TOTAL ASSETS</b>	<b>\$776,000</b>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable	\$60,000
Taxes Payable	25,000
Salaries/Wages Payable	30,000
Interest Payable	25,000
<b>Total Current Liabilities</b>	<b>\$140,000</b>
<b>Long Term Liabilities:</b>	
Loan 1	\$322,000
<b>Total Long Term Liabilities</b>	<b>\$322,000</b>
<b>TOTAL LIABILITIES</b>	<b>\$462,000</b>
<b>OWNER'S EQUITY</b>	
Paid in Capital	\$64,000
Retained Earnings	250,000
<b>TOTAL OWNER'S EQUITY</b>	<b>\$314,000</b>
<b>TOTAL LIABILITIES &amp; OWNER'S EQUITY</b>	<b>\$776,000</b>

## 1- Income Statement

Shows how much revenue a company earned over a specific reporting period. This reporting period is usually for a year or some portion of a year. This report breaks down the profitability of a business by showing your revenue minus your costs and expenses.

INCOME STATEMENT For the Years Ending December 31, 2019	
<b>REVENUES:</b>	
Sales Revenue	\$500,000
Other Revenue	\$0
(Less Sales Returns & Allowances	0
<b>TOTAL REVENUES</b>	<b>\$500,000</b>
 Cost of Goods Sold	 150,000
<b>GROSS PROFIT</b>	<b>\$350,000</b>
 <b>EXPENSES:</b>	
Accounting	\$2,500
Advertising	25,000
Amortization	0
Bad Debt	1,000
Depreciation	50,000
Employee Payroll Tax	15,000
Employee Wages	100,000
Entertainment	0
Insurance	2,000
Interest Expense	12,000
Miscellaneous	5,000
Rent	24,000
Software	0
Telephone	2,500
Utilities	7,000
Web Hosting	500
Vehicle Expense	12,000
-	0
-	0
-	0
<b>TOTAL EXPENSES</b>	<b>\$258,500</b>
 <b>NET INCOME BEFORE TAXES</b>	 <b>\$91,500</b>
Less Income Tax Expense	0
<b>NET INCOME</b>	<b>\$91,500</b>

# "Quickly Approximating a Value of a Business"

## Online Business Example:

SDE Formula:

Net Income: \$50,000

Adjusted Expense-

+ Amortization: \$3,000

+ Bad Debt \$1,000

+ Depreciation: \$30,000

+ Interest: \$10,000

+ Personal Meals: \$2,500

+ Officers Comp: \$60,000

+ Personal Travel: \$3,500

+ Personal Vehicle: \$12,000

=(SDE) \$172,000

(SDE) \$172,000 X (1,2,3,4,etc.)

## INCOME STATEMENT Ending Dec. 31, 2019

### REVENUES:

Sales Revenue	\$500,000
Other Revenue	\$0
<b>TOTAL REVENUE</b>	<b>\$500,000</b>

Cost of Goods Sold	\$139,000
<b>GROSS PROFIT</b>	<b>\$361,000</b>

### EXPENSES:

Accounting	\$2,500
Advertising	\$25,000
Amortization	\$3,000
Bad Debt	\$1,000
Depreciation	\$30,000
Employee Payroll	\$15,000
Employee Wages	\$100,000
Entertainment	\$5,000
Insurance	\$2,000
Interest Expense	\$10,000
Meals	\$2,500
Miscellaneous	\$5,000
Officers Comp	\$60,000
Rent	\$24,000
Software	\$1,500
Telephone	\$2,500
Travel	\$3,500
Utilities	\$6,000
Web Hosting	\$500
Vehicle Expense	\$12,000

**TOTAL EXPENSES** \$311,000

**NET OPERATING INCOME** \$50,000

Other Income \$0

**NET INCOME** \$50,000

# “Offer Negotiations”

## Offer to Purchase Agreement

An offer to purchase agreement is a binding contract encompassing all rights and obligations for both buyer and seller as presenting all the terms and conditions of the transaction.

## Letter of Intent (LOI)

Similar to written contracts, but are typically brief in structure containing a provision asserting that the letter is non-binding for both parties.

## Main items within an agreement:

**Asking Price:** The total amount you will offer to the seller.

**Earnest Money:** A security deposit made to a seller within the offer that represents a buyer's good faith to purchase.

**Financing:** The section where you address in detail your desired financial approach.

**Contingencies:** A future event or circumstance which is possible but cannot be predicted with certainty.

**Deadlines:** Time you will need from acceptance to due diligence and closing.

**Inventory:** Clarify an inventory amount for the time of closing that will be transferred with the business.

**Equipment:** Clarify what equipment is included and what is the total value.

**Training Period:** Where you are asking for a period of time for the seller to train during the transferring of the business.

# "Personal Financial Statement"

Name: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
City, State, & Zip Code: \_\_\_\_\_  
Phone: \_\_\_\_\_

## Assets

Cash on Hand & in Banks \_\_\_\_\_ \$ \_\_\_\_\_  
Savings Accounts \_\_\_\_\_ \$ \_\_\_\_\_  
IRA or Other Retirement Accounts \_\_\_\_\_ \$ \_\_\_\_\_  
Accounts, Loans and Notes Receivables \_\_\_\_\_ \$ \_\_\_\_\_  
Residential Real Estate \_\_\_\_\_ \$ \_\_\_\_\_  
Real Estate: Other \_\_\_\_\_ \$ \_\_\_\_\_  
Life Insurance - Cash Surrender Value Only \_\_\_\_\_ \$ \_\_\_\_\_  
Stocks and Bonds \_\_\_\_\_ \$ \_\_\_\_\_  
Vehicles - Qty/Year/Make/Model \_\_\_\_\_ \$ \_\_\_\_\_  
Personal Property: Other \_\_\_\_\_ \$ \_\_\_\_\_  
Assets: Other \_\_\_\_\_ \$ \_\_\_\_\_

## Liabilities

Accounts Payable \_\_\_\_\_ \$ \_\_\_\_\_  
Notes Payable to Banks and Others \_\_\_\_\_ \$ \_\_\_\_\_  
Installment Account Auto \_\_\_\_\_ \$ \_\_\_\_\_  
Installment Account: Other \_\_\_\_\_ \$ \_\_\_\_\_  
Loans Against Life Insurance \_\_\_\_\_ \$ \_\_\_\_\_  
Unpaid Taxes \_\_\_\_\_ \$ \_\_\_\_\_  
Credit Cards Payables \_\_\_\_\_ \$ \_\_\_\_\_  
Residence Real Estate Loans \_\_\_\_\_ \$ \_\_\_\_\_  
Real Estate Loans: Other \_\_\_\_\_ \$ \_\_\_\_\_  
Liabilities: Other \_\_\_\_\_ \$ \_\_\_\_\_

**NET WORTH (Assets minus Liabilities) \_\_\_\_\_ \$ \_\_\_\_\_**

## Sources of Income

Salary \_\_\_\_\_ \$ \_\_\_\_\_  
Salary Spouse \_\_\_\_\_ \$ \_\_\_\_\_  
Bonus and Commissions \_\_\_\_\_ \$ \_\_\_\_\_  
Real Estate Income \_\_\_\_\_ \$ \_\_\_\_\_  
Sources of Income: Other \_\_\_\_\_ \$ \_\_\_\_\_  
**TOTAL INCOME \_\_\_\_\_ \$ \_\_\_\_\_**

# “Negotiation Strategy”

- 1- Give the seller at least a week to review, diagnose, digest, and then respond.
- 2- Be patient and absolutely, positively do not show your cards.
- 3- Do not jump to conclusions, you cannot control the outcome.
- 4- Communicate- A seller needs to understand where a buyer is coming from and vice versa.
- 5- If you have reservations on paying the full amount, simply explain to the owner why.
  - “I totally feel the price you are asking is reasonable. However, it is financially impossible for me at this time to reach that price”.
  - “How is it feasibly possible for me to pay that price if your numbers don't justify the value”.
- 6- Express to a seller that you really want this deal to happen and that you are doing everything in your power to do so.
- 7- For additional information on negotiating check out the book “Never Split the Difference” by Chris Voss.

# “Due Diligence”

## Financials-

You will want to audit the past three or more years of all financials of the business. You will exhaust most of your due diligence efforts in the financial section.

## Structure & Operations-

You will want to explore the infrastructure of what makes up the business. Thoroughly understand the inner working components of the business.

## Industry & Competition-

You will be dealing with certain items that really need to be investigated. No matter how much you trust the owner's word and information provided, you will also have to gather your confidential research from other outside sources.

## Customer Information-

A seller might still push back on a few of these items granted, if the deal falls through, you will have highly classified material attached to any outside groups. Reinsure the seller the confidential measures you are taking during this process.

## Material Contracts-

You are looking for any contractual agreements the business might have associating with any outside groups, such as suppliers, customers, etc.

## Legal Issues-

You will want to gather a list and description of any legal involvement in any pending, threatend claim or litigations associated with the business.

## Officers, Directors & Employee-

You will be performing your due diligence on all the individuals that are involved in the business as well as detailing various information involving policies and procedures.

## Physical Assets & Real Estate-

Gain a better understanding of the physical assets and real estate included with the business and their value. This is not relevant for every business. A buyer needs to understand what is included with the purchase of a business.

## Leases and Insurance-

Acquire any leases or insurance information associated with the business.

## Intellectual property-

Acquire a list of the company's scheduled patents, trademarks, copyrights, proprietary information, inventions, formulas, recipes, etc.

## Information & Technology-

Acquire a list and description of IT systems, structures, software and any ongoing membership applications.