The American Dream

How do You Start or Buy a Business with None of Your Own Cash

By Dan Amzallag

Pro-Ace International
Publishing

Table Of Contents

Dedication: Page 6
Preface: Page 7
Introduction: Page 9

Strategy 1: Page 12
Voiding the biggest myth about buying or starting a business with your own cash.

Strategy 2: Page 25
Second biggest myth about buying or starting a business.

Strategy 3*:* Page 41
Buying a business with its own cash – and not a penny of yours.

Strategy 4: Page 60
<u>Additional leverage techniques</u>: Helpful methods for buying a business without using your personal bank account.

Strategy 5: Page 73
How to learn about the business and find out if it's best for you.

Strategy 6: Page 99
Best no-cash deals: How to find them even though you may never see them advertised.

Strategy 7*:* Page 130
The smartest ways to close a deal on your own terms.

Strategy 8: Page 153
Financing your business acquisition should be the least of your concerns.

Strategy 9: Page 172
How to extract healthy profits from distressed companies.

Strategy 10: Page 185
Finally, if you cannot close a no-cash deal with the seller, use the government's money.

Conclusion: Page 193

Report form: Page 202

Bibliography: Page 204

IMPORTANT NOTICE

This Synopsis is FREE but incomplete version of the book. The complete version is available for you at the price of $16.99 for E-Book format or hard copy at $21.99, includes shipping and handling.

Preface:

So you have decided to take action and start your own venture. Great! We try, in many ways, to better ourselves by looking for the right opportunity to arise. We say to ourselves: "*When will that time come*"? Well, my dear friends, the right opportunity is NOT going to come and knock on your door. You need to actively seek the right opportunity. This depends on you!

Before reading this book, you should write down a master plan of what you want to do and answer the following questions: What are your dreams? Your short term plans? What do you expect to gain from reading this book? What field or industry interests you the most? How much money do you want to generate from your business? Are you interested in a start-up or a take-over?

These are only a few of the questions you should ask yourself before you read the whole book. Make sure to answer them to the best of your knowledge. Your answers to these questions are crucial to your future. They will give you ideas of how you want to apply what you've learned in this book. If you do not understand some of the concepts in this book, read this book again.

I have used the simplest terminology to make it easy for everyone to understand. There will be none of the guru terminology that only a few can grasp. I have gathered information that is user friendly and easy to comprehend. Why add difficult business terminology to an already complex process of acquiring or starting a company?

This book has been designed in such a way that all the questions that you may have are addressed here. It is my hope that the question/answer approach will facilitate the reading and understanding of the material.

I think I have said enough and should let you be the judge. After reading the book, make sure to go back to your initial master plan and see if your answers have changed. If your original answers remain the same, then you're on the right path to reaching your ultimate goal of owning your own business.

Good luck in your future endeavors. I hope that this book will help you achieve…….

The American Dream.

Note: *To all readers residing outside of the United States of America: Please keep in mind while reading this book, that some government entities mentioned (SBA, SBDC, SBIC and others) exist solely in the United States. It is therefore important for you, the reader, to search for equivalent agencies, which offer the same help as those mentioned above. This book offers strategies and techniques on how to buy or start a business with none of your own cash; however, it is not a telephone resource book. You will find the contact numbers listed in report # 9 to be useful, such as Canadian government organizations that resembles to the one from the United States. However, you still need to further your research to make use of all the resources available in your locale. The Chamber of Commerce in your area can be a good start. With the reports and future seminars we offer, we hope to fully provide the information you request, wherever you reside.*

Introduction:

“Knowledge is power, Knowledge is money, Knowledge is success.”
These are common sayings, especially in today’s fast-moving economy. Because of the overwhelming growth of businesses, several questions often arise regarding how to make a start-up company successful. Is it luck? Or maybe the CEO’s management skills? What factors are responsible for one company’s success and another’s demise?   Keeping abreast of new changes and market competition will allow the company to make wise decisions on how to approach existing problems. It is essential to conduct research to remain aware of

new changes and trends in the marketplace. This knowledge allows you to identify what could be detrimental or advantageous to your company.

This book contains valuable information for you to use in your professional life. It includes information about acquisitions and takeovers, as well as some knowledge you may have gained in past ventures. I am confident that you will find this book thorough, but yet easy to read. I have included an order form for several program reports that will guide you through the steps of your acquisition or takeover. These reports are provided to you as a supplement to the knowledge and advice offered in this book and will give you additional confidence during your future negotiations. It is my hope that you will find these reports comprehensive and helpful, whether you order one or all of them.

You are about to gain insight into the seller's mind; for example, why he may withdraw from a deal at the last minute. This may not be due to your lack of negotiations skills but mostly because of "seller's remorse". Advice on how to keep calm in this situation will be provided. You must understand that cold feet can happen in any stage of a negotiation. Don't let that discourage you from pursuing the deal, or any other deals. There are ways to manage the situation and you will know what they are after finishing this book.

Get ready; you are about to embark on a journey of knowledge… Your destination?

The American Dream!

Strategy 1

Voiding the biggest myth about buying or starting a business with your own cash

Have you ever said to yourself one time or another " I would give anything if I could have my own business, but I don't have the money." Well, you're in for a huge and shocking surprise. You don't actually need any of your own money- not a penny of it, and the money you do require is readily available from others, often from the most unexpected of sources.

So you can have the American dream—being your own boss and not having to answer to anyone, taking home all the profit—all without putting out one cent of your own money. In this book, I will explain some simple financial techniques most people assume are for individuals such as Donald Trump, Bill Gates, and other famous entrepreneurs. Anyone can use these techniques with simplicity and ease. The Myth has disappeared. Reality is kicking in.

Question: *Is the myth of needing money to open a business still applicable?*

Answer: As you mentioned, it's only a myth. I know people who have been looking for ways to work around this well-known myth. In this book, I have gathered information, techniques from seminars, and strategies gleaned from many different books on how to start or buy a business by using ***leverage***. This powerful information will enable you to apply the most effective strategy to acquire, start, or take-over any type of business without much effort. By being strong-minded and determined, you should not feel intimidated by the seller and his requirements. You should enter the negotiation with confidence and leave the room a winner.

Question: *Where can I find the money to start a company?*

Answer: You can often use the assets of the business you are buying to pay for the purchase. I'll describe in detail at least five or six ways you can count on the seller for the money you need to open the business. After that, I'll give you other ways (in report # 6) to get the money if the seller can't fund you the capital, or if you're simply starting a business from scratch. In fact, it could be even more advantageous to use the seller’s money for the purpose of buying the business.

Question: *Is buying or starting a business really that simple?*

Answer: It is simpler that you might think. Sellers are looking desperately nowadays for buyers to acquire their business. With the Internet craze happening in the past decade, many entrepreneurs have been opting for on-line businesses instead of relying on traditional “brick and mortar” ventures. Sellers are getting desperate to exchange ownership and will rely on any buyers’ requests. This advantage will enable the buyer to close any deals on their terms. These procedures are simple to apply with the understanding that all transactions are clear and accepted between both parties (buyer and seller) in question.
Think about it: The parties in a business acquisition transaction rarely, if ever, reveal the intimate details of their deal, so you aren’t likely to know much about the “no cash” acquisitions that happen every day. With that said, I would estimate that one of every two small businesses is sold or started with absolutely no cash investment from the buyer—yet still satisfies all the seller's objectives.

Question: *Is there any good time for me to consider buying a business?*

Answer: It is imperative that you think thoroughly before considering the purchase of a business. You should consider your experience and what you enjoy doing. If you are interested in a business that has a product or service that is outside your area of expertise, then you should make certain that key employees will stay on after the change in ownership or that similar expertise can be hired.

It is equally important that you should identify the desired location(s) and the amount needed for the purchase. You should then assess what the realistic possibilities are of obtaining the funds from outside sources (family and friends). One should also decide on the size of the business in terms of sales, profits, and the number of employees.

It is important to determine if the business you wish to buy is to be one that is profitable and stable or one that is losing money and in need of new management. The more profitable and stable a business, the more it is likely to cost. In retrospect, a healthier business can be easily presented to potential investors to obtain the desired amount of money (if this option is chosen).

Question: *Give me some examples of entrepreneurs who "made it" without any of their own money?*

Answer: Here are a few stories of entrepreneurs who have always inspired me and I think they'll do the same for you. (You may even recognize a few...)

Example: Paul Orfalea, a student with below average grades just out of college, started the now-famous Kinko's copy stores without a penny of his own money. It began in 1971 when he convinced a commercial bank there was a big demand among college students for a convenient, multi-purpose photocopy shop. The bank loaned him $5,000 to take over an 80-square-foot hamburger stand for the purpose, and Orfalea went on to build his tiny operation into a $400 million chain of nearly 800 stores throughout America. By studying the market and the needs of the student community, he was able to pull through and follow his dream of being his own boss. Not bad for a small start-up.

Example: Ray Kroc was a 52-year-old milkshake salesman back in 1955 when he convinced brothers Mac and Dick McDonald to sell him their lonely little hamburger stand near Burbank, California. Since Kroc didn't have any money, he worked out a unique and highly leveraged no-cash-down arrangement. On his first day in business, Kroc's cash register rang up close to $400.00. “It rained that day,” he later explained. The following week, the sales doubled. Today, McDonalds reaches the 20 billion dollars/year sales mark. Quite impressive isn’t it? McDonalds is both the biggest owner of commercial real estate and the biggest food service corporation in America.
Ray Kroc didn't have to spend a penny of his own to start it all.

Example: Tom Monaghan, a 1960 college drop-out, partnered up with his brother and bought a bankrupt pizzeria in Ypsilanti, Michigan, securing a bank loan in order to satisfy his end of the deal. A year into the business, Monaghan bought out his brother and developed a soon-to-become brilliant game plan: open stores near college campuses and military bases and promise delivery in 30 minutes, or the order is free. Domino's Pizza is now an America fixture, taking in annual sales of nearly $1 billion. Monaghan gets to indulge in a rich man fantasy by owning a major league baseball team, the Detroit Tigers. Not bad for a guy who didn't have a spare dime to his name starting out.

Example: Ernest and Julio Gallo knew nothing about winemaking when they started out back in 1933. So what did they do? The brothers studied pamphlets on the subject at the local library! Then, because these future bright entrepreneurs were unable to secure a bank loan for their proposed winery, they arranged to get 90-day credit terms from a maker of crushing and fermenting equipment. And they got their first grapes from local farmers with the promise of paying them once they sold the wine. The Gallos sold their first 6,000 gallons to a Chicago wine distributor, and the rest is history. Gallo is now the largest winemaker in America with annual sales approaching $600 million. And it all started without a penny of their own.

Question: *You're right, these are tremendously inspiring stories. But do entrepreneurs today have the same kind of promising opportunities?*

Answer: Absolutely. In fact, according to an issue of *Inc. Magazine*, "the financial system that was accessible to [earlier entrepreneurs]... remains equally accessible today."
We are in an era in which technology is improving at the speed of light. We hear everyday about new entrepreneurs selling their businesses (internet and software companies) to corporate giants for several millions of dollars.
In trying to understand how this kind of acquisition is being done, there are a few questions that come to mind. Under whose terms is the business being sold? Are the buyers actually submitting a check for the amount of the announced purchase price? The answers to these questions are not readily available to the public. It is kept between financial experts and the parties involved in the transaction.

What you need to understand and not be afraid of is the wheeling and dealing of these kinds of acquisitions. They do not happen in the ways portrayed by newspapers and magazines. Be very aware of the information about to be revealed to you.

Let me give you more details on this subject. These new start-up companies in the I.T (Information Technology) industry have something that corporate giants want. A large corporation meets with a newly formed start-up company and proposes a deal to its sellers. The amount revealed in the newspapers is only the market price or potential future revenues of the start-up company. The company can be a ***sole proprietorship*** or ***limited liability corporation*** . By acquiring the company, the corporation will create a different entity out of the newly acquired start-up and submit an ***IPO (Initial Public Offer)***, by which the company enters the world of the stock market.

More Information is available on the full version of the AMERICAN DREAM Book.

Strategy 2

Second biggest myth about buying or starting a business

Have you ever heard of the concept of leverage? You definitely have. As a matter of fact, you already know how to use it. By using your credit card, you're actually using other people's money to purchase a desired item. You're able to just sign your name to "borrow" for your purchase. So leverage is just a word for the simple idea of using "other people's money". It is no more complicated when you buy a business on leverage. Having adequate limits on your credit card can help you with the down payment on your business venture. Make sure you maintain a good credit rating. If not, hope is still there.

Question: *What other secret of starting or buying a business is available to the public?*

Answer: Information, my friends, is the secret. The more information you have, the more powerful it will make you. You need no business ownership background or fancy education to start or buy a business without cash of your own. In fact, you might be better off without these typical preconditions, which can discourage you in reaching your goals. Research will help you find out more of these secrets. The information you will accumulate through your research will allow you to open your eyes to new opportunities out there. Where other people see obstacles, you'll see a challenge.

Question: *How simple is it to buy a business on 100% leverage?*

Answer: It is as simple as A-B-C (under the following conditions):

A: The seller is willing to finance 70 to 100% of the purchase price, a concept that will be explained later.
B: Any remaining amount can usually be financed through the seller's bank. Financing can also be
handled in a different way, with the bank picking up the largest share and the seller contributing the rest.

C: A ***business broker*** or a supplier to the business can also be called on to contribute to your no-cash deal. The idea is to build "stair-steps" of financing to reach your goal. It can be advantageous for a broker to get involved in the transaction. Most of the time, the broker represents the seller; however, if you approach him and request a specific business, he may find it for you. At that point, he'll search around to see what business will best suit your interests. He will attempt to close the deal and can give you a temporary break on his ***commission***. That doesn't mean that you are exempt from repaying his hard-earned money. Your broker will give you a time frame in which to pay your dues. Within this time frame, the business will generate enough money to pay for all operating expenses, the first month of the bank loan, and the broker's fee, including the seller's advance on the down payment. This amount can be exonerated from the initial purchase of the business. You're probably wondering when your six-figure salary will appear. Sacrificing income for the next few months will be necessary to get the business running. This applies to start-up Internet companies as well. The Chief Executive Officers are making a mere $200 per week, if they are lucky. However, their goal is to be purchased by a big corporation; and if this scenario happens, their time and effort will be worth their while.

Question: *Is the seller going to accept this maneuver?*

Answer: Why not? As long as you can make sure that the seller gets what he or she wants, one way or another. Buying a business on no-cash terms doesn't necessarily mean the seller ends up with no cash. It's just not your cash. The key is to know the leveraging possibilities you can bring to the table, and which to suggest for a given situation. You'll discover a number of them in this book, as well as other leveraging techniques available in the program reports. I should point out that it's somewhat easier to buy a business on leverage than to start one from scratch. As I mentioned earlier, you can often use the assets of the company as "other people's money" to arrange a none-of-your-own-cash transaction.

Question: *But what if I have a great start-up idea and need to start from scratch?*

Answer: No problem. Program Report #2 explains more precisely the possibilities offered through start-up procedures. It will offer a step-by-step method to get yourself organized.

Organization will be to your advantage. The reports will show you how to approach and win over bankers, prospective suppliers, ***venture capitalists***, and “Angel investors” as sources of funding for your idea. In addition, we can show you how to get started via a ***limited partnership***, selling companies’ stock, going through ***the Small Business Investment Companies (SBIC)***, and using ***home equity loans***. All of these methods will get you much more money than you could by your own means.
The Small Business Development Center in your area can be a great help to your new start-up. You should contact the SBDC (subsidized by the Small Business Administration) in your area and ask to talk to a business consultant.
They will provide you with additional information about the trends and ***demographics*** for where you reside. This can be vital information, especially if you desire to cater to the local residents. The government plays a major role in helping new start-ups, depending on several criteria provided in Program Report #1.

Question: *Can you give an example of how I would bring leverage to the bargaining table to buy a business?*

Answer: Sure. Let’s take the example of our dear friend, Larry. Perhaps like you, he was more than ready to say goodbye to his day job and was extremely interested in going out on his own. His dream was to own a vending machine route, a business he had found stimulating and exciting. He also thought the business had great potential because of the possibility of servicing the student community. His concept was different.

More Information is available on the full version of the AMERICAN DREAM Book.

Strategy 3

Buying a business with its own cash-and not a penny of your own

After reading this chapter, you will be ready to start applying your knowledge and reach your American Dream of owning a business. This comes with a serious effort on your part; however, by reading this book, I assume you've decided to take this long journey and start making a change in your life. I'm going to introduce you to some easy ways to get the money you need through the modern-day miracle of leverage. We'll start with an approach that enables you to make the business actually pay for itself without requiring you to reach for your wallet.

Question: *Is it true that the method of taking money out of the company's* ***cash flow*** *is reserved exclusively for financial gurus?*

Answer: It is partly true. Most leveraging techniques have that reputation. And frankly, they shouldn't. If more people knew about them, many entrepreneurs would have been in business long ago. Such techniques only seem to be reserved for financial experts because they [the techniques] appear more frequently in ***strategic financial markets***. You hear of many major acquisitions worth billions of dollars. Yet, you will never hear how it happened or what was involved. This information never goes public. As will be mentioned in Strategy 4, by developing a strong network with corporate leaders, you will definitely have access to that valuable information even though you might not work in the field.

These are actually hidden secrets that I'm revealing to you right now. The power of information will allow you to go far. However, it's up to you to make the effort in searching for more information about the company that you want to acquire. Remember, the most powerful tool you have while you are dealing with the seller is showing him your knowledge in the industry and how it can be beneficial for him (and yourself, of course) to sell you the business. And, believe me, you too can put these powerful, yet simple, tools to use immediately.

Question: *What is the easiest way to explain how to use a business's cash flow for financing purposes?*

Answer: Let me start by giving you some perspective on how much money we're really talking about. One expert explains it this way:

“The amount of cash an average business puts into its cash register over just two or three weeks is usually enough to cover the down payment to buy that business”.

Think about it. The cash that collects in just a matter of days is usually enough so that, with some creativity, you can use it to satisfy the seller's down payment. That can work no matter what type of business you are pursuing. Since there is no law that says you can't "borrow" that money, all you have to do is figure out how to use the cash collected to pay for the business once you have acquired it. This easy if you have a ***C.P.A*** to calculate your cash flow in order to know how to approach the seller with your proposal.

Question: *How does the process work?*

Answer: A few steps are required. You, or your C.P.A, must determine the net cash flow generated over the first several weeks of business by determining the difference between cash receipt totals and ***operating expenses***.

Question: *What are the proper procedures to evaluate a business, and what should I prioritize to make my decision?*

Answer: There are several methods used to evaluate companies. Typically cash flow, assets, or replacement values, or a combination of these, are considered when determining the value of a company. The following lists various valuation methodologies typically used by valuation firms.

Replacement Cost Analysis:

- Generally, the value of a company does not relate to the value of replacing the assets of the company. Sometimes the replacement value of the property, plant, and equipment (PP&E) is far higher than the fair market value of the operating business. Sometimes the value of goodwill, such as customer relations, corporate logo, and technical expertise are far higher than the replacement value of the PP&E.

You can often choose a particular industry by expanding facilities already owned, investing in entirely new facilities, or by purchasing all or part of a new company operating in the industry. The decision as to which investment to make depends, in part, on the relative cost of each.

Of course, an investor will often consider capacity utilization, location, environmental, political, and legal issues among other things in determining where and how to invest. These issues may outweigh the importance of the replacement cost analysis; in such cases, this valuation method is not used to determine the fair market value of the company.

Asset Appraisal Analysis:

- It is generally possible to liquidate the PP&E assets of a company, and after paying off the company's liabilities the net proceeds would accrue to the equity of the company. It is necessary to determine whether such liquidation analysis should be performed assuming rapid or orderly liquidation of the assets. However, even when assuming an orderly liquidation of a company, it is generally the case that an operating company will be of substantially higher value. It is not appropriate to use the asset appraisal approach in this case because the company is operating successfully; under such circumstances, in the industry in which the company operates, the company's fair market value will almost certainly be in excess of the value of its assets on a liquidated basis. The sum is more valuable than the parts. It is appropriate to appraise non-operating assets using an asset appraisal approach to determine their value as part of the fair market value of the company.

Discounted Cash Flow Analysis.

- Another determinant in a company's value is the anticipated cash flow. Discounted cash flow analysis is a valuation method that isolates the company's projected cash flow that is available to service debt and provide a return to equity; the net present value of this free cash flow to capital is computed over a projected period based on the perceived risk of achieving such cash flow. So as to take into account the time value of capital it is typically appropriate to value the company's cash flows using a discounted cash flow approach.

Total Invested Capital.

- Each method of valuing a company or its business units places a value on the total invested capital. These various values are compared to reach a definitive fair market value. Often it is appropriate to weight the various implied values for total invested capital based on the relative effectiveness of each valuation method used for the analysis. When the value of the total invested capital has been determined, any claims to that value that have a more senior right than common stock are subtracted to determine the fair market value of common stock. These other claims include the fair market value of all debt, outstanding preferred stock, outstanding stock options, and share appreciation rights. Non-operating assets that had not been previously valued must be accounted for and added to total invested capital. These generally include cash and the fair market value of any non-operating assets.

Terminal Value.

- An owner may expect cash to flow to capital over an indefinite period of time. While valuation models often use predictions of future cash flows, it may be necessary to represent the value of the cash flow that can reasonably be expected to extend beyond the horizon of the projections. This value, known as the terminal value, is often calculated by multiplying the fifth year cash flow by a multiple. Selected multiples commonly use the median multiple of total invested capital to comparable companies selected in the comparable public company analysis. The selected multiple may be discounted to reflect the company's performance or size characteristics relative to comparable companies. This is quite similar to dividing the cash flow by the weighted average cost of capital and including a growth factor.

Question: *Well, that is all great. However, how will that help me in the purchase of the business?*

Answer: You negotiate a deal that enables the seller to receive the down payment directly out of the cash flow once you've taken over the company**.** If this sounds too good to be true, here is an example of its viability:

An aspiring young entrepreneurial couple, Sandy and Kevin, wanted to buy a thriving restaurant and pastry shop in Northern Virginia. Although they were bright and energetic, and possessed some experience in the food industry, they nevertheless lacked—by a long shot—the ability to pay the $100,000 the seller wanted down on the total price of $500,000. (The restaurant's annual sales equaled $1 million, some of which came from a thriving commercial business selling its fresh roasted coffee to local gourmet supermarkets and coffee shops.)

Fortunately, the seller agreed to pitch in and finance the $400,000 difference over five years at 10% interest. This happens often, especially with a good deal of persuasion. The couple's problem, however, was raising the remaining $100,000. Kevin's parents believed strongly in their son and daughter-in-law's skills and determination and decided to loan them $20,000 to be paid back at their convenience. That certainly helped, but they still needed $80,000. In order to reach this goal, the couple's C.P.A developed a cash flow statement for the first month of his clients' new ownership. Their suppliers wouldn't require any payment for a month so Sandy and Kevin would not have that expenditure. However operating expenses such as rent, payroll, and utilities had to be considered.

Upon seeing the numbers from the financial analysis, Sandy and Kevin were convinced they could easily draw $80,000 from their business within four weeks. But the big question was: How could they convince the seller (who expected a $100,000 check on closing) to wait three to four weeks for his money?

This is where creativity, persuasion, and earnestness were required. Strategizing with lawyers and their C.P.A, Sandy and Kevin devised a plan that enabled the seller to withhold the final papers of the sale for four weeks. During that period, they would pay the seller approximately $20,000 a week. If they missed a payment, the seller would have the right to renege on the deal. The seller agreed to this proposition giving Sandy and Kevin their American Dream for no cash of their own.

This example represents over 80% of all take-over and acquisitions. In the worst-case scenario, the seller may not cooperate; in this case you should understand that he probably was never seriously interested in selling his business. It is possible that the seller was waiting to see how far you would go during the negotiating process, which brings us to the next question.

More Information is available on the full version of the AMERICAN DREAM Book.

Strategy 4

Additional leverage techniques: **Helpful methods for buying a business without using your personal bank account**

There is so many other leverage techniques available, of which many people are unaware. Many of us have heard the phrase “you need money to make money”. This expression is partly true. However, it does not take into account that the money does not necessarily have to come from your own pocket. Leverage is a method used everyday by large financial organizations and by consumers. For example, when you buy a car, you are using leverage by borrowing someone else's money (either the bank’s or the car dealership’s, depending on which one offers the best rate).

A ***leverage buyout*** (or LBO) requires the same method to buy a business, except you can often use the assets and cash flow of the business to make the complete down payment and the monthly installments. Now, let's discuss some leverage strategies you can use to buy any size company without a penny of your own, making it possible for the business to literally buy itself.

Question: *What kinds of leverage techniques have been used most successfully to acquire companies?*

Answer: As mentioned previously, you can use the assets of the company for the initial down payment (covered in the previous strategy). Directly contacting the entity that stands to benefit the most from your transaction, your prospective supplier, can be a successful strategy. Think about it. You're going to be a potential "cash cow" for them, especially if you make the business grow beyond its present level. By approaching the prime supplier of the business with a simple offer, you can convince them to loan you X thousands of dollars in return for your continued business. Once you present them with the offer, you should work out an agreement stipulating that if you
switch suppliers and not use their products or services anymore; you would pay the balance of the loan immediately.

Question: *What other ways can suppliers help me in this process?*

Answer: Selling off excess or unwanted inventory prior to acquisition can be another way to raise cash needed to purchase the business. Make sure the inventory is determined by physical count and divided by finished goods, work in progress, and raw materials. Suppliers may be willing to buy this inventory. Make sure as well that you know how much inventory is necessary for your business to function properly. In fact, there may be enough unused goods to cover the entire down payment or more.

Question: *How does the deal work?*

Answer: A seller is identified, often with the help of a supplier, and an agreement is drawn up stipulating that upon change of ownership, the inventory is shipped to you, the buyer. You can either sell the goods directly for cash or convert them to ***account receivables***, from which a ***fixed-asset lender*** can immediately loan you the cash. This can satisfy your down payment. You need to find out precisely what your needs are before you sell anything. You do not want to find yourself in a position in which you will have to repurchase the same items at a more expensive price. The same approach can be used for liquidation of hard assets, such as machinery, equipment, or fixtures, which can be sold for cash and used towards your down payment.

Question: *What techniques are available in which I can use account receivables as a form of leverage in my future acquisitions?*

Answer: Program Report #6 list other forms of leverage buyouts and the necessary procedures to follow that any aspiring entrepreneur can use to make a none-of-your-own-cash business transaction. A bank or financing company will lend you up to 80% of the value of all receivables under 60 days old. After 60 days, you may have a problem borrowing the money. So it makes a lot of sense for you to focus your attention on the value of the receivables that the business holds.

Question: *If I assumed the payables of the business, will I be able to "buy down" the seller's down payment?*

Answer: This leverage approach utilizes credit as a means for taking over the business with a temporary exemption from paying the suppliers. You will have to pay them within 30 to 60 days, but that will give you extra time and money to resolve financial obligations
with the seller. One possibility for you is to assume all ***trade payables*** with your suppliers (as Sandy and Kevin did when they took over the deli pastry restaurant). This will enable you to delay payments to the suppliers while you concentrate on more immediate concerns, such as making money for the business and repaying your other existing debts (bank, seller and business brokers).

Question: *Is it recommended to buy or start a business strictly on credit?*

Answer: If credit card companies look at your credit history and judge you worthy enough to receive a number of pre-approved, $5,000 to $10,000-limit cards in the mail, I say, "Go for it." This is among the easiest form of leverage to use to start up cash-free.

Question: *If I use credit to purchase or start a business, will the high interest rate affect its success?*

Answer: Nowadays, some credit card companies are offering 0% interest applied to any purchases made within the first several months. Take advantage of these offers (Program Report #6 will supply you with the list of these credit card companies). Other companies are offering low ***APR financing*** on ***balance transfers***, a rate that depends on your credit history. You should apply for several credit cards to take advantage of these benefits. You should use the first credit card with 0% interest to initially purchase the business (Obviously, make sure it has a large enough credit limit). In order to avoid high interest rates after the 0% interest period has expired, begin conducting balance transfers from one card to another. Continue doing so until all initial debts are fully paid.

This strategy will allow you to minimize your interest payments.

Questions: *How can a buyer take control of a business with high liabilities, without putting himself in jeopardy?*

Answer: We often hear of large leverage deals in which the buyer assumes the huge debts of a company to take control. If this seems too risky, can it also be done on a smaller scale?

Debt can, of course, be a burden to the company. However, it can also bring new opportunity to the buyer. Very often, sellers want to rid themselves of their business to avoid further litigation from creditors. Some of them cannot wait to escape this financial strain. At this point, these sellers will practically give away their business to relieve themselves of the stress caused by their never-ending debt. In this situation, any conditions you pose to the seller could actually benefit them. Meanwhile, you will be able to utilize a no-cash down payment and keep your savings for the operating expenses of your new business. Knowing the reasons why a seller gives up their business can be a source of strength for the buyer during negotiations. In the past several years, I've assumed ownership of a number of distressed companies without using my own cash, returning them to solvency and health and then selling them for a comfortable profit.

My academic background, having earned a Bachelor’s degree in Finance and a Master’s degree in Business Administration, has given me the opportunities to learn about these kinds of transactions and their rates of success. Through my experiences in the corporate world, I have applied these concepts and have helped many of these failing companies regain their position in the market.

The program reports offered throughout this book enable you to pinpoint the troubled areas on which you need to focus your attention. However, during a leverage deal, being overly cautious and concerned about possible mistakes can slow down the negotiation process. Because there are often several qualified buyers hovering around any one good business opportunity, it is to your advantage to have the adequate professional support to guide you in making the right decisions. Mind you, this doesn't mean you should rush into ownership without absolute certainty that it's the right business and the right deal. (In fact, you should be ready to "walk" if it doesn't feel right.) It's a buyer’s market (and a jungle) out there, you need to be prepared and act calmly in order to keep the process moving.

Question: *Is it worth the risk to borrow against the equity on my home?*

More Information is available on the full version of the AMERICAN DREAM Book

Strategy 5

How to learn about any business and find out which one suits you best

One of the biggest mistakes the no-cash buyer can make is to be caught up in the excitement of having found what looks like the ideal business. This can result in taking short cuts in evaluating the business' worth in order to get the deal sealed—unless the seller gets impatient and sells it to someone else. Make sure to evaluate and thoroughly research the reasons why the business is being sold. You are probably doing the seller a favor by taking the business out of his hands; he'll accept any strategic maneuvers you offer him.
You might think at that point that all your business deals will be successful. Well, an easy purchase can bring suspicion; be discreet while conducting your research. Don't make it too obvious. Remember that you will not offend a serious seller if you exhibit the professionalism of a serious buyer. So do not compromise any essential acquisition standards. Once you do the deal, that "baby" is yours...and you want to make sure it's a healthy one before you sign any ownership papers.

Question: *Is there any checklist I should follow while evaluating the business I am interested in?*

Answer: Developing an acquisition strategy is a business planning exercise that defines the specific criteria to be applied in searching for and screening acquisition candidates (these candidates are businesses, not individuals). There are many reasons for this planning exercise: it gives you a frame of reference to evaluate acquisition candidates, it keeps you from wasting time on acquisitions that cannot be completed, and it helps you avoid acquisitions you will later regret. A defined acquisition strategy demonstrates that you know what you want to do, making it easier to retain qualified outside advisors as part of your acquisition team. These advisors don't like wasting time on unsuccessful transactions, and you don't want to waste advisory fees on poorly thought-out transactions. There are important issues to tackle and information to seek. A firm looking to acquire another company needs to focus on its current operations and identify current strengths and weaknesses. There should an analysis of future industry growth potential and trends within the existing business sectors, and an analysis of the competition.

Next, review past acquisitions and internal growth of the company, noting success and failures, and identify the reasons for those successes and failures. Based on the analysis, you should now outline your reasons for embarking on an acquisition program, determine financial resources available and define the characteristic of the desired acquisition, and finally define your company's policy regarding financial intermediaries.

Question: *How can I locate the right business?*

Answer: There is a few ways to locate the business that you are interested in.
Print Advertising:
- Business opportunity classified ads are a viable way to advertise a business for sale. Many ads are placed by intermediaries (business brokers or merger and acquisition specialists), but some are placed directly by business owners. The larger local newspapers are the best source of such ads for smaller, privately-held businesses. Sundays are generally the most popular days for these ads. Business opportunity ads, whether for small or large businesses, usually describe the business in several short phrases, keeping its identity anonymous, and list a phone number to call or post office box for reply. The ad should be worded to demonstrate the business's best qualities, (both financial and non-financial) and many include a qualifying statement describing the kind of cash investment or experience required. A telephone number in the ad will draw more responses than a post office box number, but may not permit the anonymity of a post office box.

Trade Sources:
- Trade sources can be a viable source of information on businesses for sale. Key people within an industry or in companies on the periphery of the industry, such as suppliers, often know when businesses come up for sale and may be aware of potential buyers.

Every industry has a trade association and trade association publications can do a good job of communicating the sale of a business in their industry.

Intermediaries:

- Business opportunity intermediaries generally can be divided into two groups:

1) business brokers
2) merger and acquisition specialists

The differences between these two groups are subtle, but in general, business brokers primarily handle the smaller businesses, and merger and acquisition specialists handle the larger middle-market companies. Both groups usually ask for a contract with a 180 day period or a more exclusive right to sell the business.

Question: *Are there other ways to find the right business?*

Answer: Definitely. Another good way to increase your chances in locating the right business for you is to advertise your interest in buying. You'll often read or notice that most advertising is undertaken by sellers, so it can be even more effective for you to advertise your desire to buy a business. Advertising will allow you to reach many prospects that other avenues cannot present.

Question: *What are the next steps after finding the company?*

More Information is available on the full version of the AMERICAN DREAM Book

*S*trategy *6*

Best no-cash deals: How to find them even though you may never see them advertised

Most of us have been conditioned to think there is always a cash requirement to buy a business. Sellers are equally conditioned to ask for cash because they feel the understandable need for a tangible payment in exchange for turning over their business. That's why you will always find a down payment figure attached to the announcement of a business for sale. Unfortunately, that monetary figure scares many potential buyers. The fact is, virtually any business is available without a cash-down payment of any kind if you approach the seller in the appropriate way. But first, you need to narrow down your choices and determine what business suits you best.

Question: *What's the best way to decide on the business I'd like to buy or start?*

Answer: Obviously, if you already have a "burning yearning" to enter a particular field, that's the one you should pursue. It is just a matter of studying the market and identifying current trends.

Are the Beanie Babies still a hot item? What will be the next craze? You need to find out what are the present needs of consumers. They are the ones who are going to use your products or services. Our program reports are provided to help you choose your niche. If you're still undecided, we can show you ways to accelerate your search and make it a lot more fruitful. There are so many avenues to take and we will guide you to the best one. No advice can be given about what kind of company you should start or acquire. With any business you choose, you will be able to enter it without using your own cash. In fact, at least 5,000 good, solid businesses with annual sales of over $400,000 are sold each year to people who use none, or little, of their own money. Sometime soon, one of those businesses could be yours.

Question: *You were talking about "studying the market and identifying the current trends"; what are the first steps toward accomplishing that ?*

Answer: It is necessary to approach this process step by step. First, a market research is necessary to determine the need of your potential customers. What is a market research? Well, it is a cost-effective way of finding out what people believe, think, want, need, or do. It is information that cannot usually be obtained from any other source. Industry, commerce, and government use research to help them produce goods, services, and policies matching the public's needs.
Market and social research is used, amongst other things, to test new products (everything from foods, to magazines, to cars) during their development stages:

1) to assess customer needs and reaction to a company's and its competitors' products
2) to learn about and monitor customer satisfaction with shops, holiday destinations, products, etc.

Question: *How is market research being done?*

Answer: There are two main types of data quantitative, and qualitative. **Quantitative** research provides numerical data. At the completion of a quantitative project it is possible to say (for example) what proportion or percentage of the population falls into different groups - those that want something, those that would be likely to buy something, etc. The essence of quantitative research is that every respondent is asked the same series of questions.
Qualitative research is the way in which typical or relevant people's attitudes and beliefs can be explored, and ideas can be generated. It can be used for everything from testing reaction to a potential new advertising campaign, to exploring staff attitudes to a new management structure or procedure.

Over the years I've learned that much more goes into market research than asking my existing or prospective clients/customers targeted questions. Here are a few lessons learned that will take you to examples of each point in action.

1) Identify the market opportunity of your product or service before committing to your home business idea. Ask "what's the potential?" before investing in the business.
2) Collect the demographics of your market before and while your business is up and running. The more facts you can gather about who wants/needs what you have, the easier it will be to promote and advertise your service or product to them. With this information, you'll take a wiser decision regarding purchasing the desired business.
3) Scout out the competition. Carve your niche in the business community by exploring what your competition has and doesn't have, then fill in the holes.
4) Track trends. Awareness of what's happening around the bend in your industry and among your prospects will keep your business current.
5) Survey the market. To better understand what makes your market tick, ask the people involved in your industry.

With market research, you'll be able to determine what industry you are interested in and how to approach with simplicity and ease what will be the ideal business to purchase. The more information you gather, the better it is for the future success of your business.

Question: *All this is great. Now I have accumulated a mountain of pages of information about the market. What's next?*

Answer: You need to analyze your market. You need to find out if the business will succeed. Find out if the business failed because of mismanagement or a lack of research. You can't sell a product if you don't know how to reach your potential customers. Every buyer should have some measurement of what the future will offer. This includes not only the possibility of maintaining the same volume of sales as in the past, but also the opportunity to increase sales and profits.
The buyer must have some idea of what he is acquiring besides the physical assets of the business. He is, in fact, investing in or obligating himself to the continued operation of the business.The true value to him lies in the ability of the business to generate sales at least equal to its current position in the market. This calls for an analysis of two potential factors:

1) The past growth of the company within the market of which it is a part.

More Information is available on the full version of the AMERICAN DREAM Book

Strategy 7

The smartest ways to close a deal on Your Terms

As a savvy entrepreneur, you already know that every business negotiation requires courage and determination. The negotiation process can seem daunting for those out of practice. (After all, when's the last time you bought a business?) But I must tell you, once you become familiar with this very old game, you will be surprised how intuitively and naturally you play it. Closing a deal is as much a function of addressing a seller's emotional and psychological needs as it is ironing out the financial terms. What makes this situation so fragile?
Probably what you might call seller's remorse. The seller is so "married" to the company—having perhaps started it from the ground up—that the thought of separation from it becomes unbearable. Seller's remorse tends to become more pronounced as negotiations continue. It can emerge at any time during the negotiation period and can become a serious potential deal-killer that should be anticipated. When you present yourself to the seller, your primary goal is to leave with the title to their business. It is understandable to hurry through this process; however, this tendency can scare off the seller, whose time and energy initially built the business. His emotional attachment to the business (possibly being family-owned) would make it difficult to let it go. It can be quite discouraging to the seller that you are trying to purchase his business without using a penny of your own. In this perspective, you must be able to sympathize with him and show him that you value his determination to have created a great business. This strategy will allow you to close this deal in a tactful manner.

Question: *How can I structure the closing procedure to the business?*

Answer: Before signing any final agreement, you need to decide upon the method of transfer, as it requires important legal, financial, and tax issues. Depending on how the seller used to operate the business, either as a sole proprietorship or partnership, the sale must be handled as a sale of assets. Under this transfer, the buyer hands the title of the assets to the seller. You will then set-up a new corporation to accept all titles of the new assets, entering a new lease under the newly formed corporation.

Question: *How can I protect myself while buying the seller's assets?*

Answer: Buying his assets is the most common type of transaction for smaller businesses. However, you will need to protect yourself from any liabilities that you may encounter in the future. For your maximum protection, the agreement between both of you should includes the following points:

Who will be included in the agreement:

- Anyone and everyone who will use the business in any future transaction should be included in the agreement. Shareholders, owners should have their names and titles included as well.

What assets are to be sold:

- The agreement should accurately specify what assets are to be sold so there will be no misunderstanding while transaction are to be done. The seller should specify what assets have already been sold to other suppliers and what are left remained.

Some examples are as followed:

- Accounts receivables
- Notes receivables
- Interests in other businesses
- Tax rebates
- Insurance claims
- Inventory
- Furniture and fixtures
- Equipment
- Motor vehicles
- Real estate
- Good will (customer base)
- Patent
- Trademarks
- Copyrights

- Trade secrets
- Franchise and distributorship rights
- Licenses and permits

Most sellers will retain all liquid assets such as cash, receivables, prepaid expenses and securities, such as bonds and CD's (Certificate deposits). The sale of the business will mostly include inventory, furniture, equipment, and good will as the essential operating assets.

Question: *How can I help close this deal in my favor?*

Answer: By nurturing a good relationship with the seller based on mutual trust and confidence, you will already have gained an advantage during the negotiations. While the financial aspects of the deal are critical, establishing an understanding with the seller can prevent the deal from crashing.

Question: *Are there any other reasons why the seller might decide to withdraw from closing a deal?*

Answer: As said previously, besides seller's remorse, there is also the danger of seller's envy, a more common situation you may encounter in a no-cash deal scenario. The following illustrates how sellers envy can play a role in ruining a no-cash deal: you've learned all the leverage possibilities and used them to whittle away at the down payment until you've reached your goal of no money down, with 100% being financed- perhaps by the seller himself. You're feeling pretty good about your accomplishment, when out of the blue the seller's body language—and his rapid eye blinking—tells you something's wrong. At this point, he might reconsider the whole deal and walk away from it. The fact is that he might want to protect his own reputation. Knowing he sold you the business for almost no money, he feels cheated, especially if he bought the same business from someone else for a substantially higher price.

Question: *After the agreement is signed, is there any escape route for me in case I want to withdraw for the purchase of the business?*

Answer: After you sign the agreement, the business is yours. However, you can ask your attorney to include in the pre-signed agreement, some escape clause. You should add a clause that the agreement is conditional on several factors such as satisfactory leases, approval of the seller's book by your accountant, certain assets to be included etc…

Make sure you buy the business through a limited liability corporation that you've created for these specific purposes. It is your choice to determine the business legal entity that suits you best. With the corporation, you will be protected from personal liability should you decide to default. Always make sure you cover all corners while negotiating. It can be a very exciting time for you to acquire a new business, but you need to follow the rules diligently and carefully. It will save you time, money, and headaches.

Question: *Now that I know some of the negative signs to be aware of, what are some of the bargaining basics I can use during the negotiation?*

More Information is available on the full version of the AMERICAN DREAM Book

Strategy 8

Financing your business acquisition should be the least of your concerns

At this point in the book, you should feel confident about getting into a new business without using any of your own cash. Then there's the obvious question:
"Where am I going to get the money for the rest of the purchase price?" Coming up with a way to cover the $100,000 down payment on a $500,000 deal seems relatively easy once you know all your options and opportunities. However, getting the remaining $400,000 can be a more difficult task to accomplish. To your big surprise, it is not. Like the process of arranging no cash down, the methods of paying for the rest should not be a concern. Let's begin with this simple thought: if you think of money as a commodity, or product, you'll have an easier time finding it, asking for it, and getting it from those who can afford to lend it. Many people have these resources to lend to you. All you need to know is how to ask for it the right way.

Question: *Whose door should I knock on first?*

Answer: You may already have your foot inside that door. That's because, as I've mentioned before, the most likely source could be the seller. In fact, before you consider any other funding source, discuss the prospect with the seller. (Later, a few other avenues of financing will be discussed, in the event that the seller is not cooperative with your pitch techniques.)
Borrowing from sellers typically offers some key advantages:

1) Sellers are not fanatical about earning interest. Their objective is actually to sell their business at a price they feel most acceptable. The seller wants to get rid of their business for a reason, whatever that might be. This may be to get rid of a financial burden, and for

you, an opportunity to put into practice your management expertise to transform the same business into a towering mountain of profit.

2) Sellers can be far more understanding than banks. Let's say your new business has a slow couple of months, and cash flow has become more like a cash trickle. So now you're forced to miss a payment, or even two. Which lender is more likely to penalize you—the bank, or the person with whom you've formed a solid relationship and who can empathize with your business problems? I am sure that you and I share the same answer.
3) And no, sellers won't take away your personal assets. Whereas most banks are obsessed with collateral, sellers rarely demand the same. Yes, they may want you to put security interest on the business, but beyond that, a handshake will often close the deal.

Question: *If seller financing can't be worked out, should I simply go to my bank?*

Answer: Actually, the ideal bank may be the one the business is already using. They know the business and if the seller can introduce you to his or her long-time banker, it could facilitate the transition of ownership. However, you can also apply at any commercial bank for a business acquisition loan. As you might imagine, though, there's much more required of this kind of transaction than filling out an application like you would for a car loan. They want to know a **lot** more about you and your chances of success before they approve the loan; and of course, that depends on your credit history and management skills. One thing you must remember is not to beg. You should never go into any financial institution, "hat in hand", to plead for a loan. As intimidating as banks can be, they're really just money supermarkets with shelves full of a commodity they want you to buy.
They need you as much as you need them. If you have a deal that makes reasonable sense, they'll go along with it and make plenty of money from you. If you come into the bank with an idea for a start-up company, a good business plan is required as well. Solid projections will also be needed as part of the package. Using the business plan, the bank can analyze the feasibility of the venture and will decide accordingly.

Question: *You mentioned "business plan" early in the book". What kind of information can I submit to the banker that can be relevant to what he's looking for?*

Answer: Here's what you can find in a business plan that will help you gather the necessary information for the banker.
Elements of a Business Plan: cover sheet, statement of purpose, table of contents, description of the business, marketing, competition, operating procedures, personnel business insurance, financial data, loan applications, capital equipment and supply list, balance sheet, breakeven analysis, pro-forma income projections (profit & loss statements), three-year summary, detail by month, first year, detail by quarters, second and third years, assumptions upon which projections were based, and pro-forma cash flow.

It is also necessary to present supporting documents to the business plan. A banker will need to see them before even considering you for a loan.
Some supporting documents are: your tax returns for last three years, your personal financial statement (all banks have these forms), in the case of a franchised business, a copy of franchise contract and all supporting documents provided by the franchisor, a copy of the proposed lease or purchase agreement for building space, copies of licenses and other legal documents, copies of resumes of all principals, and copies of letters of intent from suppliers.
In Program Report #8, you will find detailed information about a business plan and what goes in it.

Question: *Is there a difference between a marketing plan and a business plan?*

Answer: Marketing plays a vital role in successful business ventures. How well you market you business, along with a few other considerations, will ultimately determine your degree of success or failure. The key element of a successful marketing plan is to know your customers–their likes, dislikes, expectations. By identifying these factors, you can develop a marketing strategy that will allow you to arouse and fulfill their needs. Identify your customers by their age, sex, income/educational level, and residence. At first, target only those customers who are more likely to purchase your product or service. As your customer base expands, you may need to consider modifying the marketing plan to include other customers.
In report # 8, a sample of a marketing plan is included to give a more detailed idea of its components.

The business and marketing plans are both necessary tools to help you obtain a good idea of how you should pursue your future business. However, if you are looking for a loan at the bank, the business plan should be enough. The marketing plan can be useful when presenting it to business brokers, venture capitalist suppliers and of course, the seller. Since many businesses are seller's finance, he will be curious to see what are your ideas that will enhance the sales of the business. By doing so, his shares of the business will increase in value and will be comfortable when you'll take over.

Question: *Can you describe in more detail some elements found in the marketing plan?*

Answer: My pleasure. A marketing plan is necessary to direct your new business in the path of success. Consider it like your bible. It will help you target the market, or as we said previously, carve your niche. The marketing plan will help you answer the following questions: How you can position yourself with your competitors? How is your product perceived by the consumers? How should you establish a price for your product? Who will distribute your product? How will you promote the product to the public?

In your strategic situation summary, you should summarize the key points from your situation analysis (market analysis, segments, industry, and competition) in order to recount the major events and provide information to better understand the strategies outlined in the marketing plan.

The second section of the marketing plan should include the targets and objectives. This section explains how to define the market demographically– geographically in social and economic terms. Each market target should have needs and wants that differ, to some degree, from other targets. These differences may be with respect to types of products purchased and the frequency of purchase. Objectives should include the following program components:

1) Product
2) Price
3) Distribution
4) Promotion (or sales force)
5) Technical services

As for the third section of the marketing plan, here you will provide the position statements that will help you describe how you want each market target to perceive each product relative to competition. State the core concept used to position your product (brand) in the eyes and mind of the targeted buyer. The position statements should describe:

1) What criteria or benefits the customer considers when buying your product along with the level of importance.
2) What you offer that differentiates your product from competition.
3) The limitations of competitive products.

All these details gave you a general idea on the content of a marketing plan. The most important segments are as follow:

Product strategy:

- You'll need to identify how each of your products fits the market target. Other issues that may be addressed would be new product suggestions and adjustments in the mix of existing products.

Price strategy:

- The overall pricing strategy should be identified along with the cost/benefit analysis. Identify what role you want price to play, increase share, maintenance etc…

Distribution strategy:

- Describe specific distribution strategies for each market target. Issues to be addressed are intensity of distribution, how distribution will be accomplished, and the assistance provided to distributors.

Promotion strategy:

- Promotion strategy is used to initiate and maintain a flow of communication between the company and the market target. To assist in developing the communication program, the attributes or benefits of your product should be identified for each market target.

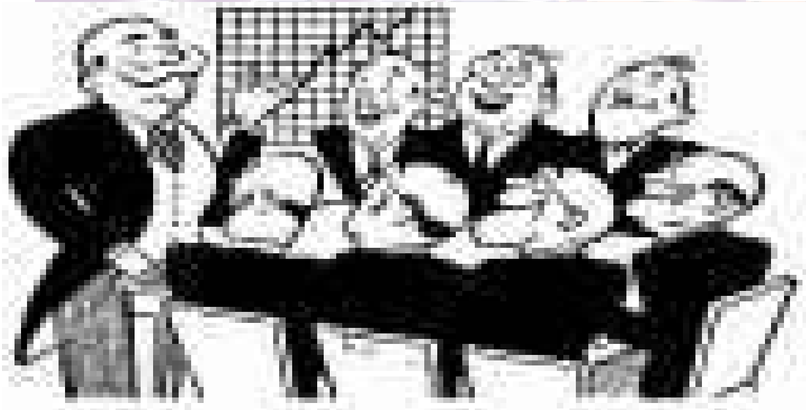
Marketing research:

- Describe the market research problem and the kind of information needed. Include a statement that addresses why this information is needed. You can find a full marketing plan available in report #8.

Question: *How can I define my financing needs while evaluating the business?*

More Information is available on the full version of the AMERICAN DREAM Book

Strategy 9



How to extract healthy profits from distressed companies

Some think it may be a difficult task to profit from troubled companies; however, it is easier than what you might think. It is considered one of the best-kept secrets in the business world today. The truth is, taking over bankrupt or troubled businesses can make you more money than you would ever imagine. You can create a perpetual money machine by buying them, quickly reorganizing them (of course, this requires some management skills), and then selling them for a substantial profit. Even if you're more interested in owning and operating a business than flipping it for a quick profit, you'll benefit greatly from the opportunities that take-overs offer.
There are thousands of troubled businesses out there that you can buy without investing a penny of your own. The techniques for buying and making money with troubled companies are easy to apply.

Question: *Why would I want to take over someone else's problem?*

Answer: In this situation, a company's problems can work for you. Its existing debts actually offer you built-in financing for an easy no-cash deal. Let's say X Industries is asking $1,000,000 but the books show that the firm's debt to creditors is $965,000. At best, the seller can only get $35,000 from you if you agree to the asking price. Once that's understood between the two of you, you have locked in $965,000 worth of financing by assuming the seller's liabilities. Leveraging this amount to create a no-cash transaction is relatively easy (see previous strategies).

Question: *Will this additional responsibility put my situation in jeopardy?*

Answer: The situation is not nearly as terrible as it sounds. Many entrepreneurs specialize in takeovers and **facilitate** the deal by offering to the former owner a freedom from their debt.

With this in mind, they know that, every day, new owners of troubled companies strike deals with creditors who agree to walk away with less than twenty-five cents on the dollar.

Question: *Why would a creditor be satisfied with such a lousy ratio?*

Answer: They look at the alternative—what they will get if the business is liquidated? Creditors will often accept virtually any amount that's greater than what they'd get if the business' assets were put on the auction block. If you offer them just a bit more than that, they will grumble and groan, but they will quite often accept it. They need to recover any amount from the business, so they'll accept the proposed offer. Very often, a company will seek court-ordered protection from creditors during this process in order to have time to negotiate a settlement. This is what's known as "Chapter 11" of the Bankruptcy Code.

Question: *What is the tagged price on liquidated assets?*

Answer: Appraisers are specialists for this kind of situation. Since the assets cannot be appraised at their original value, appraisers evaluate the product not on what it is worth presently in the market, but what people are ready to pay for. This situation arises with foreclosure.

When the bank seizes a house due to an unpaid mortgage, they will try to resell it in what we call "the court's footstep" at 75% of its appraised value. No tangible value is actually given to liquidated assets due to the high desire of the creditors to get rid of the assets on hand and to recuperate some of their money. Most of the auctioneers are aware of this and will start the auction low and then reach a maximum price, representing only a small portion of the actual price of the asset.

Question: *What if creditors withdraw from your proposal? Is this common?*

Answer: Yes, it is, but there's an advantage to this situation. Some call it the "Dump buy-back" technique. Here's how it works: You make a fair offer to the creditors and they shy away. They want more than what was offered. As an option—or a subtle menace, if you wish—consider letting the company go into liquidation. By getting a bank loan, you will be able to pay for all of the assets at a fraction of their worth. The creditors will vanish, and you'll own a business at an extraordinary price.

Question: *So now I have a company for a fraction of a dollar. Should I be concerned about drowning because of this heavy responsibility?*

Answer: This depends on your management skills. Most of the time it's bad management that weakens and makes a company go "belly up." It may be the current operations of the business that are weak. Whatever skills you bring into the business are indicative of what you will get out of it.

Example: I like the story of a young entrepreneur who, at age 28, did something few individuals his age had ever done. He arranged a takeover of a bankrupted company, which manufactured coffee. By understanding the market of commodities (he was a stockbroker as well) involved in this industry (homework required), he discovered the best time to purchase the product, as well as in what quantity and at what price. As one of the only suppliers of green coffee in his area, he was able to stay competitive in the market and offer fresh roasted coffee beans at lower prices than the competition. By using several marketing strategies, he was able to reach a wider clientele by selling his roasted coffee online. He eventually resold the company to the former owner and made considerable profit on the resell. This example proves that any business can become a good business with innovative and knowledgeable management.
Question: *What should I consider being a "bad business" to buy?*

More Information is available on the full version of the AMERICAN DREAM Book

Strategy 10

Finally, if you cannot close a no-cash deal with the seller, use the government's money.

Having read this far in the book, you're already equipped with some powerful business-buying information, probably more than any knowledgeable buyer out in the field has. Part of your new savvy business approach is the understanding that to make a no-cash acquisition or startup possible, you need continuous knowledge of the market, and of course, seek continual support from professionals such as accountants and lawyers. It is important that you order the available program reports to supplement the information already provided in the book. These reports will help you recognize the strengths and weaknesses of your business deal. For some, this information will be tremendously valuable; for others, it might be information or knowledge that you, the buyer, have already accumulated throughout the years.

The American government is a great source to start looking for free money. Many government programs are available and you can be eligible to obtain the desired amount of money to start or buy the business. Since all government programs differ in eligibility criteria, you need to get informed and find out which one suits you the best. The government is allocating over 250 million dollars to different programs that also include start-ups. You can get a slice of that pie. However, it is not as easy to infiltrate yourself in the government system. You will be bounced around a few hundred times to finally talk to someone that has no information whatsoever about the subject of grants for start-ups. It is like entering a labyrinth. You see yourself at the starting line, however, the finish line can take several years to reach. As I mentioned earlier, you will need PATIENCE, a lot of it.

What I figured out from the government, is that they are playing the same game as a seller. They are eliminating all jokers (which can represent individuals with a lack of patience) and allocate the money to serious buyers (which represent individual with tremendous amount of patience and understanding of how to fill out the many forms to obtain the desired grant).

For the people who haven't received the government help, or are not eligible, don't despair. You have all the strategies from the book and they should be put in practice.
For those who have received the government help. One advice to you. Use the money intelligently. Don't take any Club Med vacation to the islands. Most grants entitles to a follow up. Which means, they will give you the money for the purpose of starting a business and to the hope of creating jobs in the near future. By doing so, it will help keep the unemployment rate to a lower level. However, if you come back with a beautiful tan from the Greek islands and realize that you could of used the same money for other business purposes, you might regret the consequences of your actions. Most government agents will follow up with you regarding the grant. Don't disappoint them. Show that you are serious in your future endeavor. They will be very pleased if their money was put in good use. By doing so, more money will come from the government later on.
Remember, this government money should not be used to pay the seller for the down payment. You need to apply all the techniques mentioned in that book and the following Program Reports to get the desired business. The money should be a cushion in case nothing else work and that you are dealing with an incompetent seller (or moron).

Question: *What exactly are these program reports?*

Answer: For starters, they are essential tools when starting your business deals. They are loaded with crucial information that you will require for present and future ventures. This information has been and will continue to be updated to keep it accurate. All the phone numbers and contacts are current. For those who see acquisition as a daily routine, added information might be needed to add to your knowledge on the subject. Even the most knowledgeable entrepreneur needs to know where to find funding sources and their daily activities might not allow them access to this information. This is why we believe in the necessity of these reports. Additionally, we will conduct seminars in your area, and explain to you in more detail the concept of the "none-of-your-cash" approach. In these seminars, we'll discuss specifically how you can conduct your individual search and acquisition for the right business—or learn how to start one up from scratch—without using your own cash. Many entrepreneurs experienced in "no cash down" transactions will be invited to these seminars to share their knowledge. Guest speakers specializing in the area of acquisitions and leverage buy-outs will attend these seminars and will answer many of your questions.

Question: *What will I find in the seminars that can help me improve my performance during negotiations?*
Answer: You'll be walked step-by-step through the process of finding the right no-cash opportunity for you, evaluating it, negotiating it (based on literally dozens of no-cash approaches), and closing the deal. Then we take you through the easiest, most advantageous ways to finance whatever amount you need to satisfy the seller. Moreover, you'll learn all

about the "red flags" that will alert you to which "for-sale" businesses should be avoided no matter how attractive they look on the surface.

"**Flip**" lessons: You'll also learn all the techniques of taking over troubled companies for pennies on the dollar, and even "flipping" them, selling them for a substantial profit once you've gotten them back on their feet. These seminars will put into perspective everything you learned in this book and program reports.

Question: *Couldn't I get the same information from my own research?*

Answer: You could certainly pull together a stack of data on many of the details of buying a business through leverage. I've given you a small taste of various scenarios in this book. But to know all the possible no-cash options you have and to decide which would be the wisest for you would be difficult without any type of help. To write this book, I had to accumulate enough information through books, seminars, contacts with professionals and business networking to provide you with a comprehensive understanding of the “hows” of buying or starting a business with no money of your own. I should admit this is a very difficult subject to grasp, and therefore, I used plain English, avoiding terminology which might have obscured the meaning of my explanations and hindered your understanding of the material. (Plus, I went through enough pain and suffering in gathering this information with the hope that you would not have to go through it as well). Patience is required with everything you endeavor and, I can promise you, it can only help you become a wiser entrepreneur.

Question: *Once finished with the seminar, where do I go from there?*

Answer: Our consultants will follow through with any needed counseling during process of learning about no-cash acquisitions. That means you can receive counseling, coaching, and assistance over the phone, by e-mail, or fax during any part of your no-cash acquisition or start-up—including the negotiation, closing, and search for possible funding. We will review any and all documentation (including the final closing contract), help you prepare a loan package, locate an attorney or CPA for you, as well as handling any other needs that might arise. We’ll put you in contact with all professionals in your area and you’ll establish the initial contact with them. These individuals will help you through the process of acquiring the business with no money down.

More Information is available on the full version of the AMERICAN DREAM Book

Conclusion.

Congratulations! Now that you have finished this book, you have reached the end of one mission and are about to begin a new one. At this point, you either have a huge headache from reading or you are excited to start investigating possible business opportunities. In any case, you've learned something new, something that will help you in your future goals- whatever they may be. Have your initial answers (for the questions at the beginning of the book) changed? Now that you have finished reading, it is a good idea to formulate questions of your own, especially if there are concepts that you would like to explore further.

Our program reports can help you clear up some misunderstandings and give you more confidence to move on to more serious acquisitions. The more comfortable you are with these techniques, the more likely you leave the bargaining table as a business owner. Remember, DO NOT feel threatened by the sellers. Sellers have just as much difficulty finding the right buyers as buyers have finding the business that best suits their needs. There are instances in which the seller is dishonest, and this book can strengthen your ability to identify this situation. For the most part, this type of transaction can be a win-win situation for both parties because, while you are not using your own cash, the seller's requirements are still being satisfied.

You should practice negotiation methods regularly and start looking for local business opportunities offered in your area. Do not hesitate to contact them. The best deals are those that require a down payment because you will have less competitors hovering around the seller, enabling you to better apply the techniques in this book and to close a deal with none of your cash.

Caution: Do not show too much interest in the business you want to acquire. Showing too much excitement might make the seller reconsider your offer or increase the offer price. Stay calm and follow the advice given in this book and you will see clear and rewarding results. Now don't expect to find yourself buying Microsoft Corporation after reading this book ☺.

Start small and go steadily from there. You need to take one step at a time.
One last bit of advice before you start any negotiation. This book is being read by millions of entrepreneurs around the world. It will be translated into many languages as well, to reach a global audience. So before you start applying any of these techniques, remember that millions of others, both buyers and sellers, will be aware of the strategies mentioned in this book. Don't be intimidated by this fact. By using these techniques, sellers will assume that you are a knowledgeable entrepreneur who has valuable expertise in negotiation procedures. Such knowledge allows you to show the sellers that you are serious about closing a deal.

Overall, what you need the most in acquisitions, takeovers, and start-ups is patience; a lot of it. Don't rush through the deal too fast. You need time to make sure that the business in question suits your needs and interests. Rushing can be detrimental for you personally. Before you sign anything, do your research. Once the business is signed over to you, it is yours to manage. You have now reached your destination,

The American Dream,

and it is up to you what you do next.

Best of luck on all your future endeavors and negotiations,

Dan Amzallag,

The American Dream.
I would like to thank equally, the authors of the quotes mentioned below, taken randomly throughout my many years of reading books and manuscripts about business. These quotes have been very inspirational to me and will definitely be to you as well.
" *The secret of a successful forty hour work week is to work at least sixty hours…*"
"To be a success in anything, be daring, be first, be different…"
"*Work smarter, not harder…*"
"An opportunist is a fellow who takes the cold water thrown at his ideas and makes ice cubes with it…"
"It is no disgrace to start over, it is usually an opportunity…"
"*It takes twenty years to make an overnight success…*" *"Six essential qualities that are key to success: sincerity, personal integrity, humility, courtesy, wisdom, and charity…*"
"*Progress is the activity of today and the assurance of tomorrow…*"
"We work to become, not to acquire…"
"If there are moments when everything goes as you wish; Don't be frightened, it won't last. The only sure thing about luck is that it will change..."
"On the door to success, it says: Push and Pull… The journey to a thousand miles begins with one step… and finally,

"SUCCESS IS NOT A JOURNEY, IT'S A DESTINATION…"