

THE AMERICAN DREAM...



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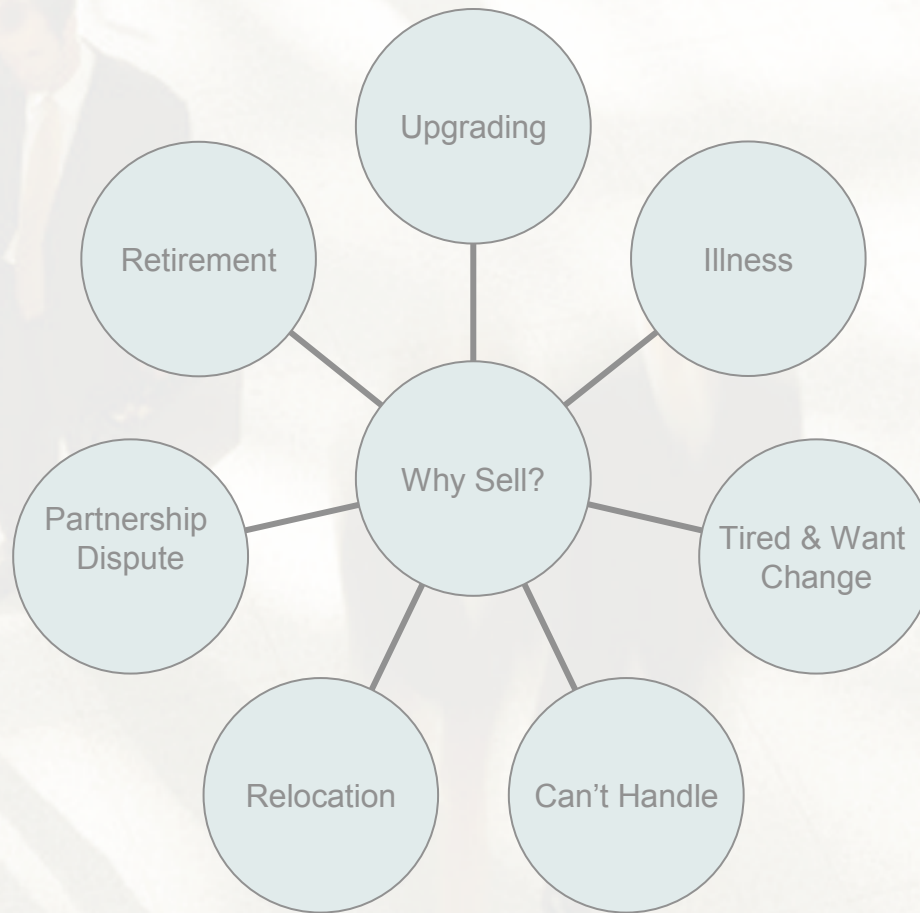


Why Own Your Own Business?

- Job Security
- Financial Independence
- Control Your Own Destiny



Why People Sell A Business





Why Buy an Established Business?

- Established Customer Base
- Established Location
- Proven Product/Service



Government Studies Indicate over 60% of New Businesses Fail in the First Year!

WHY?

- Poor Location
- Poor Product Mix
- Under Capitalized
- Poor Management



Resale Businesses Are Proven Successes!

VR studies indicate more than 95% of re-sales Succeed!

When you buy an existing business you are buying:

- ✓ Proven Success
- ✓ Immediate Cash Flow
- ✓ Recognized Product or Service

All of these factors reduce your risk!



Size & Risk vs. Dollars

Big Business, Big Profits
Big \$\$\$ to Purchase

Middle Market/Main Street
Owner Can Earn Good \$\$\$
Reasonable \$\$\$ to Purchase

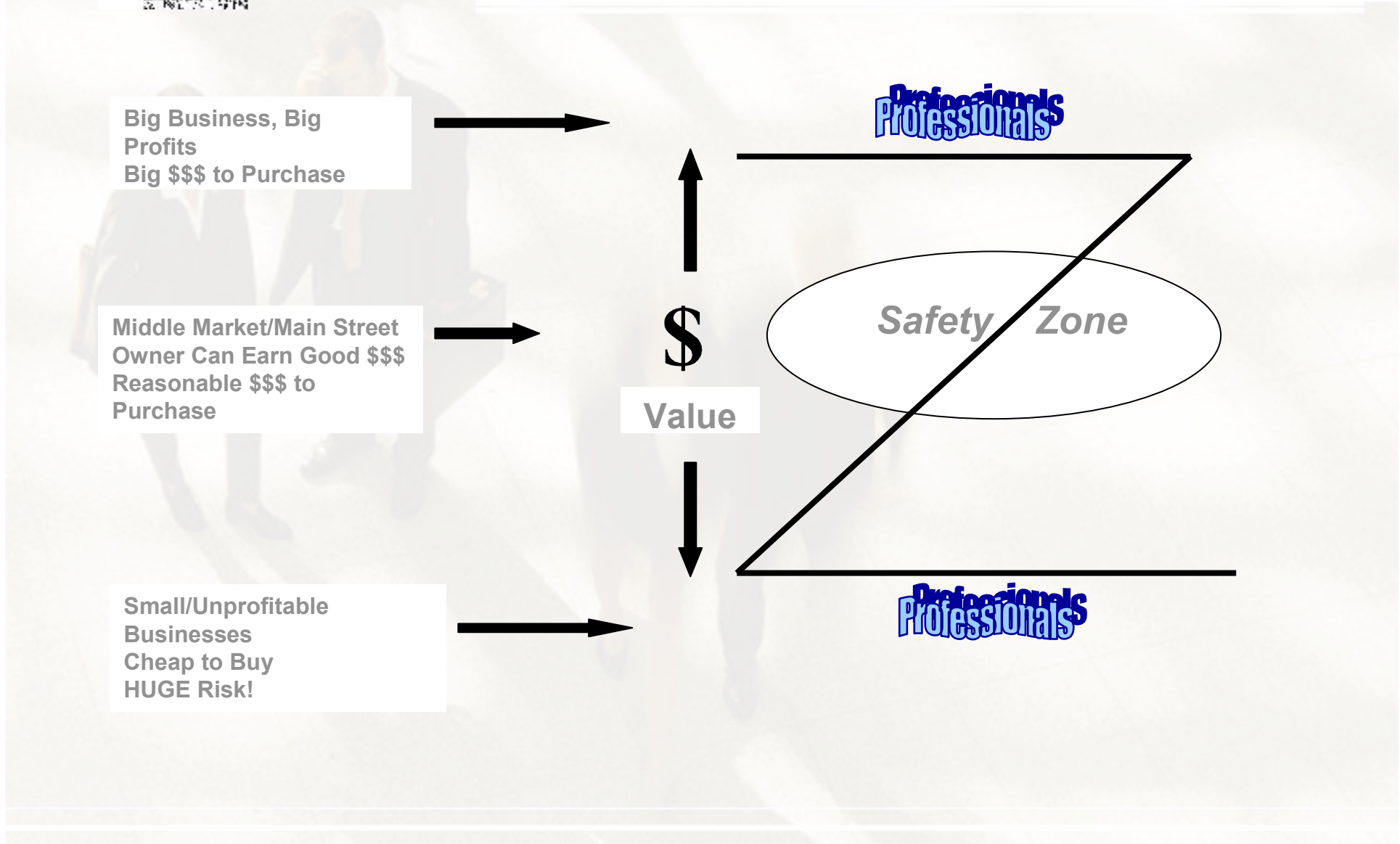
Small/Unprofitable
Businesses
Cheap to Buy
HUGE Risk!

\$
Value

Professionals
Professionals

Safety Zone

Professionals
Professionals





Small Business is Big Business in the US!

There are 9.5 million businesses in the US with fewer than 20 employees.

- ✓ Nearly 90% of all US business have less than 20 employees
- ✓ More than 90% of all US businesses have sales of less than \$1,000,000 per year

Small Business Drives the US Market!



Keys to Success

On-Going Businesses Provide 2 of 3
Necessary Components of Success

1. A Proven Product
 2. A Proven Location
- = Positive Cash Flow



Keys to Success

You...

Provide the Third Ingredient

3. Management!



Who Pays for the Business?

The only monetary investments you have in a Business are the Down Payment, Working Capital, and Improvements.

The business should retire its own debt and provide a living wage out of the existing cash flow.



Financing Options

Institutional

- Rate: Prime + 2%-2.75%
- 15%-20% Down Payment
- Credit checks & paperwork similar to home loans
- Personal collateral for loan
- 10 year financing
- Personal guarantee

Seller

- Rate: 7%-10%
- 35%-50% Down Payment
- Simple credit check
- Business as collateral for loan
- Average 5-7 year financing
- Personal guarantee



How Businesses are Valued

Some common valuations:

- Multiple of SDC
- Equipment + 1 year net + Inventory
- 1 Year Gross Sales
- Multiple of Monthly Gross Sales



Explanation of Terms

What is Seller's Discretionary Cash Flow?

- EBITDA plus Owner's Benefits + Salary

What is EBITDA?

- Earnings before Interest, Taxes, Depreciation & Amortization. Commonly used by lenders for business loans.



SBA Financing Success Story

Type of Business: Internet & Mail order Company

Purchase Price:	825,000
Working Capital:	105,000
Total Project:	930,000
Less Borrower Cash:	186,000
	(20% of project)
Less Seller Financing:	93,000
	(10% of project)
SBA Lender Financing:	651,000
	(70% of Purchase Price)

Fully Amortized Loan of 10 Years



Seller Financing Success Story

Type of Business: Franchised Sign Company

Purchase Price: 370,000

Less Down Payment: 170,000

Less Seller Financing: 200,000

6 year financing @ 8%, monthly payment of \$3,506



Business Acquisition Guidelines

What Does an SBA Lender Need?

From the Buyer

- Complete loan application
- Personal tax returns for 3 years
- Purchase agreement
- Business plan & projections

From the Seller

- Seller's tax returns & financials for 3 years & interim
- Copy of purchase agreement w/allocation of the price
- Copies of A/R & A/P aging
- Equipment List
- Copies of leases
- Copies of W2s
- Detailed evidence of all accepted add backs



Buying Process

Your Commitment

Today

- ✓ Interview to Determine Wants & Needs
- ✓ Education
- ✓ Non-Disclosure & Financial Statement

Next Step

- ✓ Tour Businesses
- ✓ Meet the Owner
- ✓ Discuss Numbers & Offer with Broker

Offer

- ✓ Contingencies (before closing) & Conditions (after closing)
- ✓ Safe Decision- Due Diligence
- ✓ Earnest Money

Present Offer & Your Background

- ✓ Seller Accepts Offer
- ✓ Seller Counters Offer



Buying Process

Negotiation Process- Exhaust All Options

Due Diligence Begins

- ✓ Review Books & Records
- ✓ Assignment of Lease
- ✓ Financing Options, if applicable

Third Party Attorney Drafts APA- split fees

- ✓ Asset Purchase Agreement, Bill of Sale, Lien Search
- ✓ Non-compete, Consulting, Assignment & Assumption
- ✓ Promissory Note, UCC-1, Security Agreement

Closing! Now You Own Your Own Business!



Brokers Do...

- Educate
- Negotiate & facilitate
- Save You Time
- Save You Money
- Present Facts
- Bridge the Emotional Gap



Brokers Do Not...

Make your decisions

- ✓ Only you can make the final decision

Manage the Business

- ✓ You are the boss now, its your business

Books & Records Don't Leave the Office Without an Offer

- ✓ Owners don't want to share their confidential records unless a serious offer is on the table.



The Buyer's Job

- Communicate
- Ask questions
- Be Honest & Sincere



Advisors...

Talk to an Accountant for:

- ✓ Tax & Bookkeeping Advice

Talk to an Attorney for:

- ✓ Legal Advice & Legal Matters

Talk to a Business Owner for:

- ✓ Advice on Buying a Business



CONGRATULATIONS!



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You Are In Business!