

**REAL ESTATE  
IS FOR  
SUCKERS**

**BUY A PROFITABLE  
BUSINESS INSTEAD  
USING OTHER  
PEOPLE'S MONEY (OPM)**



**M I K E   W A R R E N**





# REAL ESTATE IS FOR SUCKERS

Buy A Profitable Business  
Instead Using Other  
People's Money (OPM)

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***Mike Warren***

*Author/Wealth Coach/Venture Capitalist*

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***“I wrote the all-time bestselling New York Times bestseller on how to buy real estate with little or no money down. Mike Warren has done the same for buying businesses for little or no money down. As I read it, I kept saying to myself, “Why didn’t I think of that?!” Mike has organized and systematized and simplified the key steps of how to succeed. I guarantee you’ll find I’ve found lots of mind-expanding ideas here that save you a lot of time and wasted effort while making almost obscene profits.***

Robert G. Allen, author of the New York Times bestsellers *Nothing Down*, *Creating Wealth*, *Multiple Streams of Income* and co-author of the mega-bestseller, *The One Minute Millionaire*

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*This book is dedicated to all the future entrepreneurs and business owners who take hold of their livelihoods to live their dreams.*



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## Chapter One



# REAL ESTATE IS FOR SUCKERS: Buy A Profitable Business Instead of Houses Using Other People's Money (OPM)

Real Estate Is for Suckers. That's a bold title and, right? As a real estate investor for the past thirty years, I've learned quite a few things about buying, renovating and selling houses, apartment buildings, commercial buildings, raw land, doing tax liens and even buying defaulted mortgages and judgments. One of the most important things I've learned from my decades of experience is that once you start the machine, it's hard to stop. What I mean by that is if I go out buy a house, I must *come up with the money* to buy the house. Then, I must *come up with the money* to renovate the house into a livable condition. After that, I have to rehab the house and put it on the market for sale or rent.

Let's assume for a moment that I want to sell the house. If I sell the house, I get a lump sum of cash and then I move on to the next deal. If I rent out the house, I might make \$100 to \$200 a month in positive cashflow—maybe a little bit more, maybe a little bit less depending upon what area the country

that I'm located. If I decide to rent, I'll have to deal with tenants, toilets and headaches. I tried holding rental property. I tried holding commercial property. I've even made money with tax liens and judgment liens. And I've even done assisted living facilities. The challenge with each of those is not that they don't make money, it's that they don't give me enough money *plus* a residual cash flow that will allow me to sit back and let the fruits of my labor pay for the lifestyle I want for me and my family.

Let me give you an example:

<b>HOUSE FLIP</b>	<b>vs.</b>	<b>BUSINESS FLIP</b>
		
<b>Purchase:</b> \$100,000		<b>Purchase:</b> \$1,000,000
<b>Down Pmt:</b> \$0		<b>Down Pmt:</b> \$0
<b>Positive Cash Flow:</b> \$200/mo		<b>Positive Cash Flow:</b> \$25,000
Future Sale Price: \$130,000 (3 yrs)		Future Sale Price: \$3,000,000 (3 yrs)
Total Cash Flow: \$7,200 (200x12x3)		Total Cash Flow: \$900,000 (25kx12x3)
Total Profit: \$7200 + \$30K=\$37,200		Total Profit: \$900k+ \$2 Mill.= \$2.9 Mill.
<p>The Business Flip Made \$2,860,000 More Than The House In The Same Amount Of Time. <small>(That = 97 Houses)</small></p>		

You may have heard that more millionaires are made in real estate. I want to show you why that's a lot of effort with a very limited payout. So, what you've heard about real estate isn't necessarily right.

Let's go through the numbers.

In real estate, even in today's market, you can buy property with no money down. Let's say you buy a small \$100,000 house with 10% down or even no money down, which is not hard to do. You turn around and then you rent it out. Once you rent it out, you get a positive cash flow on that property of \$200 a month. Three years down the road the property's appreciated in value. You now sell it for \$130,000. Well, if you look at your positive cash flow, you've got \$200 a month multiplied by 12 months x3 years, giving you \$7,200 in positive cash flow (plus the difference in what we bought the property for versus what we sell it for).

That's a \$30,000 profit. We make a combined \$37,200 in profit. On a small house like that, that's a pretty good profit. And that's why a lot of people do real estate, because they're like, "Wow—okay, I made \$37,000."

Well, I want to show you the difference on a business deal. When I go out and I buy a business, here's how I go about it. You might want to highlight these.

I look for on average for a million-dollar business. I'll take businesses as low as \$100,000 and I'll take businesses over \$10 million, but for this example let's say the sweet spot is a business valued about \$1 million that's doing about 30% profit per year. At 30% profit, in this case it's doing about \$25,000 a month in positive cash flow. Every company I buy, I want to grow, and the minimum growth I want is to triple the profit.

So, if a company is doing a million dollars a year and 30% profit, that's \$300,000. I want to literally triple that profit from \$300,000 to \$900,000. That's the bare minimum it will take to buying a business worth the time and effort involved. We typically get way more than that, but that's the base line for me to look at a deal and consider, "Okay, do I want to take this deal?"

It could be a \$100,000 company making \$30,000 a year profit. Depends on the deal that we're looking at. Let's say we triple the profit of a company. We turn around and sell it for \$3 million in three years. It normally takes us two to three years—anywhere from 18 to 24 months—to grow it, and we sell off it in months 24 to 36.

Our cash flow over three years is \$900,000. That's \$25,000 a month  $\times$  12 months,  $\times$  3 years. That means we get \$900,000 a year in cash flow. And we look the difference between the \$1 million we bought it for, the \$3 million we sold it for, we've got a \$2 million gain, giving us a total profit of \$2.9 million.

Now that's \$2,860,000 more than the house for the same length of investment. The amount of time it takes you to find a house, negotiate the deal, renovate the house, lease it out, manage the rental responsibilities, and then ultimately sell the house is the same amount of time it takes me to do one business. You're going to have to do ninety-seven houses to make the same amount of money I make doing

one business flip.

So, here's a question for you: Which one would you rather do? Both options take the same amount of time and effort. Keep in mind with the business that you buy here—using no money down—you are not running the company. Let me restate that. You're running the company, but you're not working in the company. Someone else is managing it and you're just making sure they're doing what they're supposed to be doing.

Which would you rather have? Would you rather have the house flip, or would you rather have the business flip? Would you rather buy, grow, and sell the company while having someone else do the work for you, or would you rather buy and manage the rental property? I suspect you chose the business. Good!

I know you have seen all sorts of different informercials and ads all over the Internet for how to make money in real estate. And I'm not saying that they don't work. What I'm saying is they don't always tell you all the little details about what happens when you buy a house. Even the shows on TV like Flip This House don't give you all the details of the expenses that went into it. They don't talk about how many hours were devoted to the project as well as how many hours buyers and agents put in looking for that perfect deal and how many other deals fell through before they found that moneymaker.

Consider for a second that you had a house and you make money from it. As soon as you sell it, you have to go find another property. This was the challenge that I had again and again and again. I had to continually look for properties. I had to keep the machine moving. I couldn't even go on vacation! The moment I took my eye off the business, that's the moment my cash flow stop coming in.

So, when I say real estate is for suckers, it's also kind of like the stock market where the average stock investor really pays the most amount of money for everything. In other words, by the time it gets to be publicly listed where you could go invest, you're paying the very top dollar for that particular stock. Now, that doesn't mean that that's not still a good purchase, it just means that you're paying top dollar for it. The majority of the money has already been made by those companies before they went public. By the time a company does an initial public offering or IPO, most of the money has already been made. Hopefully, you're starting to get the point.

The big question then becomes what is better than home real estate? And no, I'm not talking about the stock market, forex, gold, bonds or anything of the sort. I'm talking about something that has been around since the beginning of time. I'm talking about business. Specifically, about you buying an existing profitable business, but, with other people's money (OPM).

Let me do a little self-promotion and share with you where I am today and how the information I going to go over with you in this book could potentially change your life and the lives of those around you.

I am about share some strategies that are revolutionary. These are techniques that are simple and ethical ways of creating more cash and cash flow to put into your bank account on a monthly basis. These are techniques that simple, proven and easy to copy. If you're interested in learning about how to buy a company with no money down, with no credit, or without running it as a full-time job, then you *absolutely* need to listen to pay attention to what you are about to learn. It is powerful stuff.

Now you might be asking yourself, "Why would Mike be willing to share these strategies and secrets in an open forum like this?" Well, the answer is easy. Right now, I am actively looking for partners to do deals with. And I have figured out a way to tap a virtually unknown market by dealing with businesses for sale or companies that need just a little bit of help.

I am 7-time best-selling author, venture capitalist, wealth coach and I am an owner in three different private equity groups that buys, grows and sells companies all around the world. We're doing deals in Australia, in the UK, South Africa, Canada and, of course, all over the United States. What I really, really like is that we're able to buy most of

these companies without using any money or cash whatsoever. In fact, most of the companies that we acquire, they pay us to take their equity in the company. In the rare times where we do need money, we have investors to put up the cash because these are very profitable and growing companies.

These are not sick companies or start-ups. These are existing profitable companies that make 6-8 figures in profits.

This is not real estate or starting a side internet business or anything like that. This is about making enough money to replace your salaries if you're working and having another additional stream of income that's very, very passive for you with just doing a little bit of effort.

I hold an MBA in finance and real estate and have appeared on TV, radio, and speak to audiences all around the world on my techniques and strategies. Different leaders and hosts around the world call me "The Man with the Midas Touch," because I basically turn small companies into gold.

I've regularly shared the stage with notables such as Steve Wozniak (The Woz), Les Brown, President Donald Trump, Robert Kiyosaki, Richard Branson, Rudy Giuliani, Jack Welch and many of the top financial experts in the country.

In this book, you are about to learn a system that is

revolutionary and completely different from any other system you've ever seen, namely because it includes the **zero money down** method that no one else has actually utilized or discovered in this industry. I have also invented a unique way of acquiring businesses using a **leveraged buyout** (LBO) technique, which is similar to the no money down techniques that real investors use.

With my methods, you'll learn how to acquire multiple cash-generating businesses from “don't want 'er” owners—business owners who don't want their businesses anymore and just want to find a way out. You're going to take that business and turn it into cash for yourself to be able to make a lot of money.

## **Now the Good Stuff**

This book has three primary goals: First, I am going to show you how to buy any type of business in any industry without using any of your own cash (using other people's cash if cash is needed). After that, I will show you how to buy a business using its own cash. Finally, I will show you the benefits of buying a business for the express purpose of flipping it a year or so later for a much larger profit—using none of your own cash, of course!

Does that get you excited? It should! I get excited every time I think about the number of people we help get

started buying businesses of their own that pay them \$100k a year or more in salary, or partnering with clients who find and then flip the business, without having to be involved in day-to-day operations for a much larger payday that could be worth millions.

Buying a business is often surrounded by mystery and misinformation. One of the biggest myths about buying businesses is that it requires a lot of cash. In fact, by reading this book, you'll find you can buy a business *without using any of your own cash*. This is a reality, not a fantasy. You may find a business you want to acquire that does require a little bit of cash, but you know what? That cash is readily available from other people or from the business itself. *It does not have to be your cash*. And often it can come from the most unexpected of sources.

The American Dream used to be owning a house. Now the dream is getting rid of the boring job, being your own boss, and having a business that provides a six or seven figure income each year to support the lifestyle you want—allowing you to do the things you want to do, with the people you want to do them with, when you want to do them, all with money no longer an issue.

I wrote this book to cover the basics of how to buy a business using other people's cash (and none of your own). To answer all your questions, I've used a Q&A format, taking the most common questions people ask me in

seminars, as well as from my high-level coaching students and even some partners I've worked with buying businesses. I've broken the steps down to show you how you can go through this process, including finding a business and buying a business, structuring a deal and then, ultimately, getting yourself a high profit payday. For more aggressive entrepreneurs, I talk about the art of flipping a business—while still not using any your own money—and how you can get paid along the way for doing it, and still receiving that huge sum of cash at the end.

One of the biggest distinctions I want you to grasp is that you can buy a business *and* you can flip a business. Buying the business is only part of the equation. The people who become really successful and become multimillionaires achieve that dream by going out and finding businesses they can flip. This is what I do, and I can help you achieve this same goal.

Flipping only one business can generate a couple hundred thousand dollars a year in profit, making about one to 1.5 million, or two million or even a three-million-dollar business, depending on the industry. All the while, you're generating a five, six or sometimes even a seven-figure paycheck! (Again, this depends upon the type of business.) For the most part, though, you're looking somewhere around a six-figure paycheck while you double or triple the profit of that business, before you cash out 18-24

months down the road.

A lot of people get hung up on financing techniques they assume are only for the use of private, already wealthy individuals, such as Robert Kiyosaki, President Trump, Rupert Murdoch, Larry Ellison, and Richard Branson. I'm here to tell you that's not the case. This is a perfect opportunity for you and for me. So, if you're ready, let's get started.

### **The most common question I get is “Mike, doesn't it require cash to buy a business?”**

It's a natural assumption to think that you need a lot of cash, but it's not true. I know many people who have been literally broke, but who used techniques from this book and from my high-level coaching to go out, find a business and structure a business deal. Ultimately, they bought those businesses without using any of their own cash and have gone on to make millions of dollars. This is a super easy—if done correctly—and powerful and productive approach. Let me insert here that if you find a business that has rock solid financials and is already profitable (no start-ups) and you would like us to help fund your deal for a share of the profits then we should talk. We can even put up all the money to do the deal! Details at the end of the book.

**I want more than just a basic hot dog stand. I want something that will provide a comfortable living that will give me at least a five or six figure paycheck. Is that possible?**

The answer is absolutely yes. And if anyone tells you other than that, you're talking to someone who doesn't know what they're doing. They are not a person who's familiar with buying and selling businesses. They don't understand financing. They don't understand how money works. Always keep in mind where you get your advice from.

If you're getting advice from an accountant who makes \$40,000 a year, well, then you will get \$40k a year advice. If you take advice from accountants like mine who pull in six figures each year, well, guess what? They understand how to structure a deal, how to make lots of money and they also partner on different, more profitable deals than the \$40k accountant. One of the best pieces of advice I got from my mentors was to be careful who I chose to take advice from, and to focus only on people who have already walked the path versus people who are just guessing.

Ultimately, yes, you can get a business that's more than a basic hot dog stand. We're talking about a business that can pay you six figures literally from the day that you take ownership, even though you went in with none of your own cash. And I'll prove that here in a little bit.

## Where do I get the money to start off?

Since this seems to be a question that just comes up over and over and over again, let's go ahead and talk about some ways that you can get money to buy a business.

I'm not saying that it's your money; I'm just saying how you can get some of the money. One of the things you can do is use assets from the very business that you're buying to pay for its actual purchase. Yes, it's true—you can do that! Let's go over in detail, oh, five, six or seven different ways you can count on the seller—get this, yes, *you can count on the seller of the business*—for the money you need to buy their business. This is one of the ways we can buy a business with its own cash. Then, we'll cover a whole bunch of other ways you can get the money if the seller can't do it for you.

I like using OPM, also known as **Other People's Money**, also referred to as Other People's Cash (OPC). In fact, I *love* using OPM to buy a business. It allows me to leverage the business better. By having none of my own cash at risk, I can increase my rate of return. I'm sure you, like me, always like to have extra cash sitting around. Assuming you're interested in buying a business and you have no cash, this is a perfect scenario for you.

**Mike, I'm a little leery about being able to go in and buy a business with no money down. I hear what you're saying, but do small businesses do it like that, or is this only for the big boys who have publicly traded stock? What's really the deal here?**

I expect you to be a little bit skeptical of this type of transaction, mainly because you've never seen a business advertised for no cash down—and you are probably never going to see that.

In other words, go and look online for a business for sale. Do you ever see a business that's for sale where the owner says, "I'm going to sell it for no cash down?" No. They all say that they want either all cash—most of them all say they want all cash—or they want 50% down. Just because somebody asks for a lot of cash down doesn't mean that you have to give them a lot of cash. Another thing is that even if you were to give them cash, it doesn't have to be your cash. The cash can come out of or from the business itself. (Or we can partner and get you the cash).

Keep in mind that all of the interested parties in one of these business sale transactions do not reveal the intimate details of hidden agendas or what they're willing to take or not take. You aren't likely going to know a ton about no money down transactions and how they go down until you actually get into the transaction and start working.

Here are some statistics for you left-brainers who want numbers. It's pretty common that you're looking somewhere of 40- 50% of all of the small businesses that are sold in today's market are sold with no cash investment from the buyer. That does not mean it's a bad deal for the seller. Sometimes the seller does not want all cash and would like to get a steady monthly check that would allow them to live a certain lifestyle. In addition, they would avoid having to pay a lump sum in taxes from the sale. This is a very cool strategy that we're about to get into.

**I'm still a little skeptical. Can you give me some examples of people who actually did these types of transactions where they did these no money down deals?**

You betcha! Let me give you some that you may have heard and some that you may not have heard. By the time we get through some of these stories you'll realize "Gosh, I know that brand." You'll also see they all started their companies without using their own cash. They were able to bootstrap it, meaning they were able to do it without much or any financial help from others.

Let me give you the first...

This is from a guy name Ray Kroc. Now, Ray Kroc was just a 52-year-old milkshake salesman back in 1955 when he convinced brothers Mac and Dick McDonald to

sell him a lonely little hamburger stand located near Burbank, California. Now, Kroc didn't have any money to speak of, so he worked out a really unique and highly-leveraged no-cash-down lease arrangement. On its first day in business, Kroc's cash register rang up \$366.12. "It rained that day," he later explained. The following week he claims daily sales doubled as people started to visit his store. And then he was off to the races with a great business. Today, the registers at McDonald's ring up quite a bit more than that, taking upwards of 20 billion dollars a year. McDonald's is both the biggest owner of commercial real estate and the biggest food service corporation in America. And Ray Kroc didn't have to spend a penny of his own to get started. In fact, McDonald's is one of the largest owners of real estate. Most people think McDonald's is about hamburgers. McDonald's is about real estate. The thing about McDonald's, they own the best locations in every single city. Think of all the corners where you have seen them. They're in the best spots. Those properties are worth more than the business. McDonald's is about systems and real estate. It's not about burgers.

Here's another example: A gentleman named Paul Orfalea was a C student just out of college, and yet he started the now famous Kinkos copy stores without a penny of his own money. It began in 1971, when he convinced a commercial bank there was demand among college students

for a convenient, multi-purpose coffee shop. The bank loaned him \$5,000 to take over an 80 square foot hamburger stand for that purpose. And Orfalea went on to build his tiny operation into a 400-million-dollar chain with nearly 800 stores throughout America.

How about a man named Chris Zane in the experience business? Whether it's selling bikes in his Connecticut store or filling orders for corporate rewards programs, he knows a successful business is about more than just selling stuff. Zane got his start at age 12 fixing bikes in his parents' East Haven, Connecticut, garage. At 16, he convinced his parents to let him take over the lease of a bike shop that was going out of business, borrowing \$23,000 from his grandfather at only a 15% interest. His mother tended the store while he was at school in the mornings. In his first year, he racked up \$56,000 in sales. This year, he expects to bring in \$21 million.

Here's another one. Tom Monaghan, who was a 1960s college dropout, partnered up with his brother and bought a failing pizzeria (we'll talk more about troubled businesses later) near Ypsilanti, Michigan, with a secured 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 brilliant game plan. He opened stores near college campuses and military bases and promised delivery in 30 minutes. Domino's Pizza is now an American fixture, taking

in annual sales of nearly one billion dollars. Monaghan now indulges in a rich man's lifestyle, 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.

Then there's the famous confectioner William Wrigley Jr. in 1891, the carmaker Henry Ford in 1903 and *Readers Digest* publishers DeWitt and Lila Wallace in 1922. All of these innovators were bootstrap entrepreneurs, using other people's money to lay down a foundation for great business fortunes.

So, think about it. These were all people who went out and either started and leveraged a business, or got a bank loan, or got a lease, or was able to use the business assets to fund the business or get terms with creditors. These are some ideas that we'll talk about in a little bit in more detail.

### **Mike, I hear you talking about these stories, but does it really apply to people today?**

You bet it does. In fact, as *Inc. Magazine* quoted me: "The financial system that was accessible to early entrepreneurs remains equally accessible today." And I gave a few examples.

Let's start with a lady named Megan Duckett. When Megan moved to Los Angeles from Australia over twenty-one years ago, she was 19 years old and had big dreams of working in the entertainment industry. She took a job with

an event planner and in her free time began sewing at her kitchen table, making bedding, drapes and costumes.

When the request to make the linings inside ten decorative coffins for her employer's Halloween event came up, Duckett took on the challenge. "That was one of the turning point moments when I began to realize I have a skill set that other people didn't have," she says. Duckett also knew that positioning herself as a specialist in designing props and entertainment décor would set her apart. Her next big project, designing 25 silk chandeliers for *The Mirage* in Las Vegas, came a year later.

By 1996, Duckett was earning more money sewing than the \$45,000 salary from her full-time job at the event-planning company. She quit and rented an 800-square-foot warehouse, hired three seamstresses and generated \$80,000 in revenue her first year.

In 2006, she began producing bags and other items bearing the company logo to make the Sew What? brand more recognizable. "I realized that people weren't buying me; they wanted to buy a brand," she says. Four years ago, Duckett branched out by offering the option to rent drapes and other props rather than purchase them. By 2011, her Los Angeles-based company, produced sales of \$5 million in addition to the \$1.2 million her second business, Rent What?, generated. Today, she manages 44 employees across both businesses.

Here's another lady named Sandra Kurtzig who was a 24-year-old pregnant housewife living in a small northern California community when she started ASK Computer Systems in a spare bedroom of her apartment. She goes on to say, "We needed the money."

Kurtzig, trained in computer sciences, worked at night to develop a program that keeps tracks of inventory and customers' orders on a factory floor. She had true grit and help from some pretty impressed lenders. Kurtzig launched her firm and watch it rise like a rocket. By 1985, her born-in-a-bedroom startup had sales of 79 million dollars. By 1992, that figured had gone to 131 million dollars. Kurtzig had only meager savings when she started out and financed the growth of her business without a penny to spare.

Another example is when Terry Finley bought his first horse, Sunbelt, for \$5,000. In 1991, he felt stuck in his job selling life insurance. Finley had been betting on horses for years, but he had never made an investment like this. After Sunbelt won his first race that year, Finley started running small ads in racing papers and attracted an investor who paid \$5,000 for partial ownership of Sunbelt. Within two months, he bought his second horse, Cal's Zen Jr., and continued buying more horses on credit cards.

Soon after, he quit his job and founded West Point Thoroughbreds, a Saratoga Springs, New York, based racehorse syndication management company. From the

outset, Finley talked with clients who ran their own companies and asked for suggestions about growing a business.

"We started trying to build a brand and a reputation," Finley says. Through this informal advice, he learned the importance of tracking metrics. In 2004, he hired a web designer to revamp his website.

Today, West Point Thoroughbreds owns 55 syndicated horses and has 550 investors who profit when their horses win a race, are bred or get sold. Revenue has grown from \$2 million in 2005 to \$6.5 million annually over the past three years.

There is something that I want you to really get out of these stories I'm shared with you. They're very inspiring, I know. And, yes, it does prove that it can be done. I don't want you to get the false impression, though, that it's instantly super easy and automatic to achieve the exact same results. It takes determination. It takes having the right coaches guide you through the process and having the right team around you. It means getting savvy advice and being in love with your own independence. Having your own will to succeed beyond your wildest expectations is essential. If you have the drive to want more from your life, then you can be truly successful as far as you want it.

Here is the bottom line. Money should be the least of your worries when it comes to buying a business. So, let's

just talk about where we've been and what we've talked about so far. As we've said, the biggest myth is that you need money to start a business. Actually, you can buy any size or type of business without using any of your own cash, a business that can pay you a six-figure income. You can use the assets of the business that you're buying to actually make the down payment towards purchase.

The reality in today's market is that 85% or more of the small businesses that are sold around the world are sold with owner financing. What that means is that you don't need to go to a bank and get a loan or use cash out of your pocket. No one asks about your credit. It's the perfect scenario.

## Case Study: Medical Spa

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- Purchase price: \$1.4M
- Profit: \$800k
- Seller Financing of 65%
- 35% Funding provided by Mike's team

*Chad K., CA*



Watch this full case study in a free training here → <http://bit.ly/2IORMzm>

Scan this code to go right to the training.

## Chapter Review:

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1. It's estimated right now that between 40%-50% of all small business sales are purchased with no cash investment from the buyer.
2. Some famous startups include Ray Croc, the 52-year-old milkshake salesman, who went on to own McDonald's with no cash of his own.
3. And then, finally, money is the least of your worries when going into business.

## Chapter Two

### Leverage, Leverage and More Leverage

You may not be aware of it, but the only thing that stands between you and your first no money down purchase is understanding the word **leverage**. Believe it or not, you actually already know how to use it. Here's a simple example. You have a credit card, right? When you go to the store and you make a purchase and you use your credit card, did you know that you're using the bank's money to buy whatever that purchase was? You're using somebody else's money to buy an asset, and then you pay that money back over time. That's actually leverage using other people's money.

Leverage is nothing more than using other people's money. A good example is from the movie *Pretty Woman* with Richard Gere and Julia Roberts. When you think back to that movie, he was a high-level financier who found and bought businesses, broke them apart and then sold off the different pieces. Well, he's flying back and forth and he's wheeling and dealing and negotiating. He's got his penthouses and his jets and his cars and limos. He's got all that stuff.

And, you know, ultimately, all he's doing is using other people's money. He's using the bank's money to buy these deals because he has a specific team in place. He has specific knowledge of how the deal works. He structures the deal so none of his own cash involved in the transaction. He uses other people's money. He leverages the business, buys the business and then sells it off and keeps the profit. He keeps the difference of what it's worth. And that's what we're about to do.

**Mike, doesn't it require a certain level of sophistication or education in order to buy a business, especially one without using a lot of cash?**

It does require information. But sophistication? Not so much. That's one of the major myths that keeps ambitious would-be entrepreneurs—just like you—from buying your own business, creating a six-figure paycheck, and then turning around and flipping that business because you don't understand the rules of the game. The truth is, it's really about information as opposed to sophistication.

You don't need to have previous business ownership background. You don't need to have an MBA—that's not required to get into a business without using any of your own cash. In fact, to be honest, you're probably better off without the types of typical, preconceived ideas and

formulas one learns in graduate school. For some people who have a higher education, it actually clouds their thinking about what's required to get into business, and it keeps them from doing it because they think they have to over analyze the numbers. And the reality is you don't. You just have to have the drive, persistence and the determination to see the deal through.

### **Okay, here's a question for you. How simple is it to buy a business using 100% leverage?**

It's as simple as 1, 2, 3—and maybe even 4—if the seller or lender needs just a little bit of convincing. Let's go through the steps:

1. Typical sellers (yes, the sellers) often go on to finance 70%-100% of the purchase. It's true. We'll talk about how we do that in just a little bit.
2. Any remaining amount of cash can usually be financed through the seller's bank.
3. A business broker or even a supplier to the business can also be called on to contribute to your no cash deal.
4. You can use the cash flow of the business to cover the down payment required.
5. The main idea is to build such stair steps of financing to reach your goal. And all of these can be created together.

## **Mike, does a seller willingly go along with all this?**

If you can make sure the seller gets what he or she wants in some form or fashion, then the answer is absolutely yes. Finding a business on no cash terms doesn't necessarily mean the seller ends up with no cash. It's just not your cash—there's the key. The other key is to know the leveraging possibilities you can bring to the table and what option to suggest for a given situation. I'm going to give you a bunch of them in this book and many others in a free bonus training video on my website.

Visit → <http://bit.ly/2IORMzm> for details.

Now just to give a little plug here for myself, I want you to know that our company has developed some specialized consulting programs that show you, the bootstrap entrepreneur, exactly how to use these powerful tools to your advantage. And these details will be in the back of the book as well. We will also show you not only how to buy a business, but let's say you want to really take this to the next level. If you really want to go beyond just buying a business, your best move is to buy the business and then flip the business.

Imagine you're getting a six-figure paycheck each year and in 18-24 months you got a seven-figure paycheck when you sell the business. Now you have one, two or three million dollars in cash sitting in the bank versus \$100,000 a year as a paycheck. Which would you rather have? If you

plan your strategy while keeping the end in mind from the start—which is buy the business with the intent to flip it—then you may want to actually partner with us in order to find these businesses and flip them down the road.

### **Hey, Mike, I'm still a little fuzzy. Can you give me an idea of how to use leverage and how to use it at the bargaining table when buying a business?**

Absolutely. Let's use the case of one of BMU's students, Sally. Now, Sally had a regular 9 to 5 job and was extremely interested in breaking out on her own. . In this case, she wanted to own an online business selling products via a boutique website. She had found a website through a simple online search for businesses for sale, found that it was actually generating a good income and that it could be run from home (because she also had two young kids at home). She just wasn't able to pay the kind of cash usually requested as a down payment for this type of a business.

We walked her through the process, consulting her how to use everybody else's money except her own. We showed her how to leverage the cash of the business to purchase and increase her profit more than 30% within the first 60 days. She is now on the path to growing the business and flipping it very soon.

## **Can you give me some specific details about how Sally did this?**

At one of our special two-day Business Flipping Bootcamps, we gave Sally very specific instructions how exactly how to find and approach that particular seller. It turns out that the seller was an individual named Adam, who was selling after being in the business for three years, because he wanted to do something different, as well as due to family issues at home. There was nothing unusual about the seller who, was like many of other sellers we've run into. He was a little uneasy at first about the whole situation, but was willing to listen and was definitely interested in getting the amount of money that he wanted. In this case, he was asking \$230,000. We knew that his internet business had solid financials because they had arranged an evaluation through a local CPA in his particular area.

Now, here's what's called the proverbial \$64,000 question: After consulting with Sally, I asked Adam what financing would actually be available from him when he sold the business? Keep in mind that Adam was the actual seller. We asked this question of the seller how much financing would be available if we agreed to pay him full price. Adam was extremely excited about not having to go through any kind of haggling on the price. So, his response was actually fairly common. He agreed to finance half or

\$115,000 of the purchase price of the business to make it easy for the buyer to come in. So, right away we had half the cash in order to buy the business and we got the owner of the business to actually do that part of it.

### **How do you know that the seller is always going to be so willing?**

We don't know that the seller will always be so willing to meet our terms. But if they're motivated sellers, they are a good bet to finance some portion of the price. Many sellers see it as a good return on investment. They also know it's a good way to win and get their full asking price. I also noted in our example earlier with Sally that the seller, Adam, didn't ask if the seller would finance. She asked *how much* the seller would finance. This was actually what's known as an assumptive close. Making the assumption puts a little extra pressure on the seller to buy into (accept) the deal. If he or she is not initially inclined to do so, making an assumptive close makes it harder for them to back out of.

### **What happened next?**

That's actually pretty straightforward. Sally asked about the internet business's existing debts. Now, to the seller this was a little bit like asking a first date if there were any dark spots in his past. Adam was a little upset about the question initially. However, anticipating that kind of response we suggested to Sally she explain to the seller she'd be willing

to assume the debt as part of the purchase price. This means that if there are any debts in the business, Sally would take them on. So not only would the owner, Adam, be willing to finance half the business, but if there's any existing debts that Sally would take on those debts as part of the deal.

### **Is this part of another financial stairstep?**

You got it. If you were in the same situation, you could explain to a seller that he or she will end up with the same amount of money, the only difference being you would assume the debt and take it out of your down payment.

### **The seller agreed?**

You bet he did. The seller agreed to turn over another piece of the pie. In other words, there were liabilities totaling \$60,000. So, if we take over the liabilities of \$60,000 and add it to the seller's total commitment of \$115,000, we get a total \$175,000. The remaining amount needed to leverage for a no cash deal was only \$55,000. We also knew no lender would spring for the rest against the internet business because the assets were already committed as collateral for the \$115,000 note that the seller would sign.

Now, here's our ace-in-the-hole. In this economy, we knew that conventional lenders would not finance the remaining amount, because the existing assets of the company were already going to be collateralized by the note the seller would create as part of the owner financing.

We eventually approached a reliable source that can always be tapped: the internet company's suppliers, specifically its vendors of the products that they were selling. (I will cover more on this particular strategy in a later chapter.) Now the supplier knew that the internet business was his lifeblood and he wanted to cement a solid relationship with the new owner, so he committed to a \$30,000 loan to be paid back within the first year. That only left \$25,000. So, what's the next step?

We then had a conversation with Sally and decided to ask Adam if he'd be willing to accept a 30-day postdated check for the amount, during which time Sally would actually "borrow" from the cash flow of the business to make that payment. As insurance for the seller, all the closing documents would be held in escrow until the checks clear and the seller gets his cash. The seller had to think about it a bit, but thanks to the relationship that had been built with Sally and the time he had already invested in negotiations, he finally agreed to the terms of the deal.

### **So, what's the moral of the story?**

Once you realize price is nothing but an object to be reached by walking up individual financial stairsteps, you'll never again be frightened off by an asking price or down payment. Now you can ignore the myth that it takes cash you don't have to make such a transaction. As of today, you should just pretend the term "down payment" doesn't

exist anymore. With that said, I will also add that if you have cash of your own to put into a business, you can get the deal done faster. Just remember, it does not *have* to be your cash.

**Mike, I'm afraid of taking on this debt. I know you said debt is not a bad thing, but I'm stuck.**

Going into debt to can be scary. For most people this keeps them from living their dreams. Most people are programmed to think that owing money is a horrible thing. Imagine if the fear of debt had stopped the people whose rags-to-riches stories I shared with you earlier. They would never have succeeded in the ways they did.

The key secret is to remember is to structure the debt in such a way so that it can easily be paid by the cash flow of the business. If you do it correctly, then owning a business with 100% leverage is within your grasp. If you are still unsure, then you need to partner with someone (like us) who can walk you through the process and maybe even own part of it with you, or at the very least pay you a substantial finder's fee (more on this later).

## Case Study: SAAS

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- Reduce price from \$1.3M to \$1M, Net \$800k
- Owner carry of 50%
- Owner will stay on to help run the company
- 50% Funding provided by Mike's team

*Omar B., FL*



Watch this full case study in a free training here → <http://bit.ly/2IORMzm>

## Chapter Review:

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1. The second biggest myth about buying a business with no cash is that it requires a lot of sophistication and high finance experience when, in fact, it doesn't require those at all.
2. The seller, the seller's bank and even the seller's suppliers are likely sources to fund your purchase.
3. Our multi-day workshop can show you how to expertly wield powerful tools of leverage, whether you're buying a business or flipping a business.
4. There is no reason to be frightened off by an asking price or down payment. In fact, for you, the term down payment doesn't even exist anymore.
5. And finally, you shouldn't ever be afraid of debt if you can structure it so that it can be paid by the business itself.

## Chapter Three

# How to Find the Best No Money Down Deals, Even Though You Never See Them Advertised

First off, it's not your fault. What I mean is you've probably been conditioned to think there's always a cash requirement to buy a business. Sellers, in fact, have also been conditioned to ask for cash because they feel the need for some type of a payment in exchange for turning over their business. That's why you'll always find a down payment figure attached to the announcement of the business that's for sale. Unfortunately, that figure scares off a whole lot of potential buyers.

Well, the fact is, virtually any business can be purchased using its own cash or with no cash down payment of any kind if you approach the seller in the right way. First you have to know exactly what type of business is right for you. In today's market, as it's been in the past and it'll probably be in the future, to sell a small, privately owned business is going to require the owner to actually participate in the sale—meaning they have to carry paper, they have to help

the sale of that business. Otherwise it's not going to go through. According to the Small Business Administration (SBA), 85-90% of all small business sales involve seller financing. Very rarely will you ever see a business being sold for 100% all cash, regardless of the amount. So, it doesn't matter if you're talking about a \$300,000 business or a \$3 million business.

### **What's the best way to decide on a business that I'd like to buy?**

If you already have a specific desire to be in a particular niche or industry, then great—go for it! Otherwise, we can certainly show you ways to accelerate your search and make it a lot faster and more profitable. Whichever way you choose, you need to know a couple statistics.

According to the Small Business Administration, there are at least 1,000,000 very good solid businesses with annual sales over \$400,000 to \$500,000 that are sold each year to folks who use little or none of their own money. In fact, one of these businesses could be yours.

### **How do I start looking for such a business?**

There are a couple ways.

You can do all the work on your own, developing expertise by looking at a lot of businesses, and through trial and error discover how to approach the subject of the

no cash transaction with sellers. This is what we did in the very beginning as we learned from our own mistakes. Trial and error can sometimes be expensive in both time and money. And, of course, I'm sure you've used some similar format on other endeavors that you've had in the past.

Or you can start with our unique coaching method and learn from people who've actually been there, people who will be there to support you throughout the process, walk you through or cut down the search time that you need, help you avoid the inevitable and costly mistakes of flying solo on your own and doing it all by yourself. That's why we have this unique multi-day workshop.

This workshop is set up specifically to assist serious entrepreneurs through the search and acquisition process so they don't have to go it alone. You might say that we're like your golf instructor when you're first learning how to golf and then we become your trusted mentor if you want to partner with us on doing a particular deal. It's also why we do partnerships with some of our students. Specifically, if you find the deal, we will help negotiate and finance the deal for you. Boom! Forget the money down payment—we can solve it for you. It's sad when so many great and smart people let opportunity slip them by because of fear.

Once you understand the no cash of your own process, you'll have the additional power of being able to flip businesses on a regular basis, quickly buying and then

selling them for profit to potentially make hundreds of thousands of dollars a year. We'll cover this a little bit more in detail in a later chapter.

## **Where do I get leads on businesses that might be available for no cash?**

Believe it or not, once you're in the buyer/seller pipeline, the options will just materialize, especially if your company specializes in buying and selling like ours does.

On the other hand, there are a lot of traditional sources out there you should investigate. You can look in your basic newspaper, you can look on Craigslist, you can simply type in Google "businesses for sale" and you'll find millions of potential websites that will come up with that phrase. In one recent Google search it came up with 1,510,000,000 search results. That's a lot! You will be surprised how many results you get. To narrow your search, type "business for sale (your state)," and that will give you listings in your area. You can also search by city or country. Try it.

You can also look in *The Wall Street Journal*, *USA Today*, *Entrepreneur Magazine* or *Success Magazine*. These are all great places where companies are trying to sell particular businesses.

But sometimes the best businesses are ones that you don't even hear about being sold, because they don't know that they can be sold. I'll talk about that a little bit later as well.

When you're looking for the businesses that are for sale, really what you're trying to do is scan and eliminate companies that are not worth your time or effort. We need to understand why the seller is selling—and if it is possible that they may consider a non-cash offer.

This is what our company specializes in: helping you figure out which are those best types of companies to go after and look for the subtle language that they may use indicating what kind of an offer they're willing to accept.

It doesn't really matter what the asking price is or how much down payment that they're asking for either. If you like the way the business sounds, you don't risk anything by simply giving the business a call and at least starting a conversation.

Remember, your down payment is not an issue. You can find the money in lots of ways. If you have the cash, that's great. It will help speed up the process, but it's not always a requirement.

### **Should I use business brokers, or will they jack up the price of the business to allow for their commission?**

Most business brokers we know—especially reputable ones—do not jack up the price of the business to cover their commission.

It's actually helpful to have a broker involved in the

transaction because the broker is someone who will motivate the seller to get the business sold and walk them through any issues that they may have. In other words, they're motivated by their commission to get the business sold. Business brokers play an important role in this process.

Now with that said, I personally prefer to do deals without brokers simply because it is one less person that I have to explain what I do and convince them to do a deal my way.

Also, keep this in mind: over half of all businesses that are sold are sold through brokers, so they can't be overlooked as potential leads for your new business. The best thing that you can do is become a qualified buyer to that broker and not just some sort of bottom-feeder or tire-kicker.

## **Can I seek out the seller directly and, if so, how do I do it?**

You know, it's interesting that most buyers—people who want to go out and buy a business—don't think about this particular strategy, even though it's exactly the way the business brokers get their listings. A business broker most often will approach a business owner and see if they want to sell. In other words, they approach a seller directly versus just waiting for a seller who says “Hey, it's time for me to sell my business” and contact a broker. More

often the broker contacts the business first.

The advantage of contacting a seller directly is that you get a good candidate before the business is officially up for sale and, by establishing that relationship, you can avoid competition from other prospective buyers.

On the other hand, when a prospective seller makes the effort to contact you, they're really motivated to sell. That's what I love—just by using the right marketing pieces, you get sellers and brokers to contact you first, which means you're in the power seat.

## **How do I locate these businesses?**

You want to look around and cast the widest net possible in the field or specialized niche you're interested buying in. You can also buy mailing lists through a "Specialty Mailing List" provider you can find online; you can go to specialty mailing lists online; you can go to trade associations, trade journals, newsletters; and you can look at newsletters which are listed by industry.

You can also look up a resource called *Business Rates and Data* at your local library or online broker mailing lists will get you lists of small businesses; you can mail all of them and see if anyone is interested in selling their business for all cash. Now keep in mind—I said all cash and yes, I meant all cash. I did not say it had to be all *your* cash. Let's keep that in mind.

So, once you've gotten a list of businesses you might be interested in targeting, figure out what geographic area you want to be in and then send each a personalized letter of inquiry asking them if they'd be interested in selling the business for all cash.

### **Is there any specific language that I should use?**

In our multi-day workshop, we specifically teach the language of respect and credibility for such an approach. I also refer to it as the pre-frame. How do you position yourself in the mind of the seller? Are you a jerk when you call or are you a professional? Sounds silly, but there are a lot of potential buyers out there who present themselves poorly when they reach out to potential sellers. That's very important. You want the seller to take you seriously and you want them to also understand that you respect their company.

When you first reach out, you simply make a statement of interest in a carefully constructed and properly formatted letter. In addition, you will always perk up interest when you include and underscore the following phrase: "I am a cash buyer." As I said earlier, it's not *your* cash.

You also want to include what's called a **Call to Action**, or a CTA, in the letter that so motivates your seller, they phone you immediately. So, what exactly is a CTA? Even though you may not realize it, CTAs are on

almost every marketing piece you see. A CTA is just how you want your prospective client/customer to contact you. Do you want them to call? Visit your website? Email you? You get to decide.

And by the way, a one to two percent response to your mailing is considered excellent. If you send out 100 letters to 100 prospective businesses and only one or two sellers calling you back and saying they're interested is a good response rate. Keep that in mind that one business can give you a six-figure salary while you then turn around and flip that business for a \$200k, \$300k, \$500,000—even a million or \$2 million—profit 18 to 24 months down the road.

After mailing your prospective business owners, you can follow up by phone to any of those that you don't hear from. Remind them of the letter, saying, "I'm calling about the letter that I sent you a week and half ago regarding you possibly selling your business for all cash. I wanted to see if you might be interested." That's a great opening line, which will at least pique their interest, and they may talk to you. If they say no, fine. It's not a big deal. Hang up and move on to the next one. Here's one of my other secrets. Because I'm very busy, I actually have one of my virtual assistants (someone that works outside of the country) set the appointment to talk to the owner directly. I get a ton more calls completed, and appointments set. Easy as pie!

## **If they say “yes” or “I might” or “maybe,” what’s the next step I should take?**

The best approach is a personalized approach. If you’re in the local area, it’s always better to invite the owner either to breakfast or lunch, followed up by a tour of their business or facility. If it’s a manufacturing facility, industrial warehouse—wherever their office is—get a look at it because if they’re interested in selling, they’re going to want to tell you how great the business is. People love to talk about themselves and their passions. Let them talk and be proud.

Now, this is where I ask you to do a little clandestine “research.” By visiting the business in person, you’ll be able to get a good idea if it’s something you would really want to buy or not. Rather than rely on what the seller of the business tells you over phone, take a look at it right there on the spot. We’ll talk a little bit later about how to qualify and analyze the business and what documentation to ask for from an owner for your evaluation.

## **Are there any other ways I can obtain some good quality leads of people who might be interested in selling their business?**

Yes, absolutely. Simply advertise that you are interested in buying and you are a cash buyer. We have found it’s great using Craigslist as a cash buyer and directing them either to a website or a toll-free recorded number where they

can just get a little bit of information.

You don't want to give away too much information in your ad. Being a little bit vague provides the incentive for them to reach out to talk to you, that way you can pre-screen sellers to make sure your business interests align. You can also use Craigslist and other such sources as a way to find potential sellers. Most of the time when you see a business for sale, it's usually done by the sellers; but it's also a great way for a buyer—you—finding a business that's for sale.

When you're looking to place your ad, you want to place it in a specialized business category, such as trade journals and newsletters that target your primary industry that you're interested in. If you're willing to broaden your horizons a bit and go outside your particular niche or industry, Sunday classifieds are also a good place to advertise. And, again, Craigslist is perfect for this. What's nice about Craigslist is it's all free and when the ad expires, you simply just keep renewing the ad, just changing the words a bit. You can have ten or fifteen different ads running in multiple markets, all talking about buying businesses for all cash.

You want to be able to reach out to the sellers in several ways, essentially in an approachable manner they will respond to. By advertising in different publications, you also reach sellers who are not normally be reachable by direct mail. Some do it by phone; some do it by mail; some do it by reading different publications that they may

be interested in. We have even started experimenting with Facebook advertising, asking if anybody would be interested in selling their business for all cash.

When the seller responds to an ad, they're now pursuing you rather than you them; you actually gain the psychological advantage by being in the driver's seat. They need you; you don't need them and that's a very important position to be in—and one that I absolutely love.

### **Mike, what should I say in my ad?**

That's the easiest part of all. All it needs to say to get your phone ringing is, "I'm looking to buy a business in X"—whatever that industry or niche is— "Immediate cash available," or "All cash available." In some cases, I prefer not to use the word "all," so if you want to allow room for a little variation, just use the word "immediate cash available." Keep in mind I don't mean your cash. Yes, I know I'm starting to sound like a broken record, but hopefully you're starting to get the point.

### **Are there any backdoor or hidden ways to find good businesses for sale?**

Yes, in fact, there are. Some good sources of leads to businesses that might be for sale are the actual suppliers of the type of business you're looking to buy. They always seem to know who's thinking of selling in that particular industry.

So, how could you convince them to help? After all, it's not your normal back-scratching situation where you help them/they help you. It's more like they give you the names of the clients they believe would be willing to sell and if you end up buying one of those businesses, you, too, will become a loyal and perhaps even more active customer.

What's in it for them is that if you become the new owner and you keep them as a supplier, hopefully you will increase the growth of the business, which means you'd buy more products from them. So, there's a long-term benefit for them giving you tips.

### **Okay, I get it, so how do I find these suppliers now?**

All you have to do is ask people in the business. For example, if you want to buy a candy store or manufacturing company, ask the manager of a local manufacturer who's the local wholesaler or call and ask to speak to the salesperson for the particular area that you're interested in. You'll find suppliers typically have a pretty good relationship with their long-time customer, so they're definitely in a position to know which who might be contemplating a sale or be amenable to the subject.

This is an important thing to really keep in mind. The supplier connection is a very important inroad into acquisition opportunity that almost everyone else ignores

and I'm sharing it with you right now. Don't ignore it.

### **What about making an offer for the company you work for; and how often does that happen and how do I approach the subject?**

You know, it's interesting that nearly 25% of business buyers eventually buy the company they've slaved for as employees. Your new business may literally be right under your nose.

Here's something to keep in mind. You don't want to buy a business for a couple of reasons, such as because it's convenient or that you know the business. Rather, you need to feel strongly, "I like this kind of business, I like the people I work with and I know that I can make it grow."

If your employer's been in it for a number of years, if the business is just coasting year to year, if there are clear signs of decline and the business has been ignored, you can simply inquire with the owner, "Hey, Owner, do you think you'd ever be interested in selling the business?" And they might just answer, "You know, I probably would." And believe it or not, it happens more than you might think and, if you handle it right, the result can be a non-cash bonanza.

## Chapter Review:

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1. There are a ton of great no-cash of your own deals available.
2. By partnering with professionals like us who have already been there, you save yourself a ton of time and frustration and money.
3. You can also “flip” a business for a much larger payday when you keep the “end” in mind first.
4. Leads for great deals are all around you, including the *WSJ* and Craigslist.
5. Business brokers can be your best friend for finding good deals.
6. Suppliers are a hidden secret for good leads that almost everyone else ignores.

## Chapter Four

# Starting Your Research on a Prospective Company

Using the strategies in the previous chapters, you may have already identified a company you are interested in buying or flipping and have initiated negotiations with the seller. It is at this point that it is crucial that you stop, look around and make sure you have the right team in place to properly evaluate the true value of the company. Your first instinct may be to accelerate the process out of excitement, just so you can close on your first deal.

**STOP RIGHT THERE, COWBOY!** The most common rookie mistake is to not do a thorough evaluation of the business and just accept the information the seller provides you with. Doing an in-depth appraisal of the business, its assets and other factors that affect the industry your prospective purchase is in can save you from wasting time and resources. I have a phrase that constantly runs through my head: “All sellers are liars.” It may not be a big lie or even intentional, but sellers won’t reveal all the skeletons in their closet unless you ask them. You need to take all the time you and your CPA need to look at the numbers,

investigate everything related to this business. A good seller will not be offended if you take some time to do your research. In fact, they may be suspicious of doing business with you if you are in a hurry and rushing the deal.

The key player on your team at this point is your CPA. Find a CPA who has good experience in advising and evaluating businesses, preferably ones similar to the one you are considering. It can make all the difference in the world. Your CPA will be able to analyze the books, the cash flow, the assets, etc., to determine a viable offer and evaluate how successful your future marketing plan will be. They will find any red flags or sleeping dogs, as well as hidden golden opportunities the existing owner never saw or acted on. It here is in the process your CPA can help you plan your entire negotiation strategy and plan for future marketing.

### **What are some good signs or even bad signs that my accountant or CPA can look for?**

Well, let's cover the good signs first: You want to look for lots of current assets, meaning that they have some cash or something that might be able to be turned into cash or accounts receivable within the next 12 to 18 months. Also look for possible inventory.

Then look for bad signs. If they have lots of debt, especially short-term debt like contracts or bank loans, these types of liabilities are definitely things to frown on

(although they could be a negotiation point down the road to allow you to get a better deal on buying the company). Now, the main difference between assets and liabilities is what's called a company's net worth, so a high net worth—or what is called the book value of the company—makes the business a good no cash candidate because you can use the assets of the company to buy the company. We'll go into that in a little more detail in a later chapter.

Don't overlook other assets of the company, such as fixed assets: furniture, machinery, equipment, computers, phone systems, vehicles and real estate. Those types of assets will take a little to liquidate or borrow against, but they can prove to be very valuable in the long term.

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### ***Insider Secret***

Sometimes you'll find a seller who will declare the fixed assets of the business as being worth more than what is shown on books. Now, the question often comes up about how much do you argue with the seller over those assets being worth more than what's shown on the books? Here is the insider secret: It could actually be better for you to accept the seller's stipulated number. The reason is you can actually depreciate those assets substantially each year as operating expenses out of the pre-tax dollars or pre-tax profits of running the business. So, in essence, the seller is actually lowering the price of the company by

declaring the higher value of the fixed asset.

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### **I've heard people say there is hidden treasure inside of business. How can that factor into a no cash deal?**

When you ask the right questions of a seller during your evaluation, oftentimes you'll uncover little hidden golden nuggets in the form of inventory or equipment that might be carried on the books at one value but is worth a lot more than what actually is stated. You may also discover an asset that might be totally over-looked by the seller. Ultimately, this means you can take those assets and turn them into cash, which can be used for the actual down payment of the business.

It is always to your advantage to look at the business and all its assets to see what can be turned into cash in order to make the deal happen. For instance, if you have an asset of the company that the owner doesn't feel has value, you find someone who's willing to buy that asset and, as long as you have an agreement or contract, you can go into a bank and borrow against the asset for your down payment.

### **Are there any other things that go into the evaluation that will impact what I offer for the business?**

In our multi-day workshops, we provide you with a 90-

question checklist we developed to assist in investigating potential businesses. This is what we refer to as a **due diligence check list**. It's ultimately what we call CYA—**Cover Your Assets**—type of checklist to make absolutely certain that you know what you are negotiating to buy. Now, of course some of the questions may not apply to the particular business that you are looking at or the niche industry that you are buying in, but most will apply.

For instance:

1. Who are the seller's major customers?
2. How much do they spend annually?
3. How long have they been with seller and are they likely to remain as customers?
4. How are the businesses products marketed?
5. Why are specific techniques used by the seller to market the products?
6. If they have a sales staff, is the compensation high enough to give motivation to the salespeople?

We essentially help you figure out what the major factors affecting the growth of the client's sales over the last several years with the business was and how the situation is likely to develop in the future. We also show you how to encourage customer loyalty. We assess whether the company is lacking in the area of repeat purchases, customer loyalty or what's often referred to as continuity. It is far easier and a whole lot cheaper to grow a business by marketing to

existing customers than finding new customers.

Typically, it costs seven times more to find a new customer than it does to keep and sell to an existing one. In some of our workshops, we also go through in detail investigation of physical plans (facilities), zoning, lease agreements and insurance. We also cover payroll, employee benefits, relationships with neighbors and other businesses and more. Ultimately, you need the right questions to ask about OSHA issues and if there is union, there might be representatives. Knowing which of these questions you need to ask depends on the industry you are in, but the workshop covers prepares you with everything.

## Chapter Review:

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1. Don't make the mistake of being so excited about a business that you don't take time to do a proper evaluation.
2. Don't worry about offending the seller by performing a rigorous evaluation of the business.
3. A thorough evaluation will help you determine the business' true value and its ability to grow in the future.
4. On your team, make sure you have a deal-oriented CPA to help in evaluating the company financials.
5. Some good signs include lots of assets, meaning anything that can be turned into cash within about 12 to 18 months.
6. Don't argue with the seller over the value of fixed assets being worth more than what is actually shown on the books; it actually helps you negotiate the final price for the business.
7. Don't overlook hidden assets that can be turned into immediate cash, like old inventory or equipment that can be sold off that's no longer being used.
8. Talk to customers and suppliers about the quality of the business and their current relationship with the seller.

## Chapter Five

# Secrets to Buying a Business Using Its Own Cash and None of Your Own

I know you are going to absolutely love this chapter. In fact, so many people have reread this particular chapter because it gives you some easy, yet quite often over-looked ways of getting the money that you need to buy a business through the power of that little word: leverage. My main goal is to show you how to make the business pay for itself without requiring you to contribute any of your own money... unless you want to, of course.

**Mike, is it possible to take money out of cash flow? It seems like that might be a little bit riskier or reserved only for people who have a lot more education.**

You know, it's sad that a lot of leveraging techniques have that reputation, but honestly, it's not true. If more people knew they could leverage their cash resources, many talented would-be entrepreneurs would have been successful a long time ago. Leverage-type techniques only seen in the area of high finance seem unrealistic because you only

hear of their use on large-scale multi-million or billion-dollar deals. But understand this as an average Joe or Jane Schmo, you can put these powerful, yet simple, business buying miracles to use right now as you read this book.

### **Is there an easy and simple way to explain how to use a business' own cash flow for financing purposes?**

You bet there is. Let me start by giving you a little perspective on how much money we are really talking about.

I heard an expert put it this way: The amount of cash on average a business puts into its cash register over just two to three weeks is usually enough to cover the down payment to buy that business. Think about that for a moment. The cash that ends up going into the register in just a matter of days is usually enough, so if you add that with a bit of creativity, you can use it to fulfill the down payment. Did you get what I just said? What could you do with what I just said? Think about it. It can work. No matter what type of business you are after, it doesn't matter. It could be a chain of restaurants, a beauty shop, an accounting practice, a manufacturer, an internet marketing business, a hotel; it doesn't matter. What matters is what goes into the register and how that money can be used to leverage your goals.

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### ***Insider Secret***

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 that has been collected in the register after you take over to officially pay for the business. That part can be amazingly easy to do. Get your CPA to do a few calculations on cash flow and that helps show you how to approach and appease the seller with your proposal.

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### **This is exciting! Tell me the process, please?**

Well, you have a couple of steps that you will need to follow. First, you or your CPA will need to determine the net cash flow generated over the first several weeks of the business by figuring the difference between cash receipts and what has to be paid out in expenses. Then, after you do that, you need to negotiate a deal that enables the seller to receive the down payment directly out of the cash flow once you've taken over the business. Now, I know it sounds almost too good to be true, so let me give you an example:

Kelly was a new entrepreneur who wanted to buy a thriving sandwich shop chain in the Chicago area. She was bright, energetic and even had a college degree—which is certainly not a requirement—and she had a little bit of restaurant background. She did not have the ability to pay the \$150,000 the seller wanted as a down payment on the

total sale price of \$1,000,000. Now, this chain of sandwich shops was already grossing in excess of \$1M to 1.5M per year in the various local gourmet supermarkets in the area. What is great about this particular deal is that Kelly was able to get the owner of the sandwich shops to finance \$850,000 over a six-year period at a 7% interest rate. The remaining problem for Kelly was raising the \$150,000 down payment she needed.

Kelly got creative and asked her parents for a loan. They were able to lend her \$45,000, leaving her a balance of \$105,000. She still needed the extra money, though, and here is where Kelly took our advice. She got her CPA to develop a cash flow statement for the first month of her new ownership. The suppliers would not require payment for the first month, so Kelly would have that expenditure in 30 days (or 60 to 90 days depending on the supplier). What she would have to cover up front would be expenses such as rent, payroll and utilities and they had to be factored in. She could not take those out.

Was Kelly able to pull it off? The answer is yes. Upon seeing the numbers from her CPA's analysis, Kelly was convinced they could easily pull \$145,000 from the business itself within four weeks. So, her big question was how to convince the seller (who expected a fat \$150,000 check on closing) to wait three to four weeks for their money. This is where a little creativity, a little bit of

persuasion and a little bit of eagerness comes in. Kelly contacted her CPA and us to devise a plan that enabled the seller to hold the final papers of the sale for four weeks. During that period, Kelly would pay the seller a little over \$26,000 per week. If she missed a payment, the seller would have the right to renege on the entire deal. What is great here is that the Kelly was able to purchase her \$1,000,000 sandwich shop with no cash of her own. This is also a variation of a lease purchase model that is often used in real estate. You get to use the asset, get income from it and then use that income to pay for the asset you want to buy. Pretty neat, right?

The key here is to get a good accountant who can professionally guide you through the magical cash flow numbers. Be careful not to overestimate income or the amount you need to pay out during that period. Otherwise, you could be up a creek without a paddle. That's why we guide our students and partners through these types of deals.

**I get what you are saying about using the strategy to leverage the cash flow from the cash register, but what if the seller still insists on cash at closing? What do I do?**

It is possible the seller could still insist on cash at closing, and that's when having the right CPA on your team and us in your back pocket to consult creative solutions with will be

your strongest weapon.

If you were to call me up to talk out finding the right way to structure your deal so you could end up owning a company with having little or no cash out of your pocket, what would we come up with? There are several alternatives for making no cash deals happen despite the seller insisting on cash at closing, and these are by no means all the different techniques we use or consult on with our clients and our partners. The first technique is called the **Legal Stall**. In this scenario, the seller wants cash up front and you want to take it out of the cash flow after you take it over. Our company will help you find a technicality that will allow you to insist your down payment not be deposited into escrow until certain conditions are met. An example of this would be the official transfer of franchise or proper zoning regulations. So, you reach an agreement with the seller and your check. And, I should be very clear here, your *un-cashed* check is actually held in escrow until all conditions are met. In the meantime, you take over the business, put away the required cash in the ensuing weeks and make that check good when the times comes to actually cash it. Pretty cool, huh?

Another one is what we call the **Stubborn Seller**. In this scenario we are talking about a seller who is a little bit hard-nosed and rejects your fancy financial strategy to pay them out of their own business. In a deal like this, we help

you make the deal go through easier by using an advanced cash flow arrangement. This is where we would figure out the net cash flow, but instead of you collecting the money, the seller collects it directly. Now, that cash would have normally gone to pay suppliers, but with our assistance you will be able to work out a deal to defer paying the creditors' during that period. The seller still gets their cash, the supplier will get paid just a little bit later and you end up walking into the deal with no money.

### **How difficult is it to get suppliers to defer receiving their payments?**

The first part of this is to establish your creditability with the supplier. Keep in mind your CPA can help attest to the credit worthiness of the business and how reasonable this is for your plan. Sophisticated suppliers are actually familiar with these types of negotiating techniques, which are called the trade payables by a new owner. Typically, a supplier will extend you 60 days credit, which would give you plenty of time to pay back the supplier.

## Chapter Review:

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1. When you look at a business' cash flow, you can understand how easy it can be for the business to buy itself.
2. There is no law that says you can't borrow that money. You just have to figure out how to use it after you take over to pay for the business.
3. The amount of money the business puts into the cash register over several weeks is usually enough to cover the down payment.
4. Get a good CPA or accountant who can guide you through the numbers and make sure you can pull this off.
5. Some sellers are a bit stubborn, so you have to utilize legal or accounting strategies to overcome their objections.
6. You can withhold the final papers, ask the suppliers for an extension to make payments, and guarantee any missed payments would enable the seller to renege on the deal.
7. Deferring payments to suppliers is relatively easy, provided you establish your credibility with them.

## Chapter Six

# LBO and Hidden Techniques for Buying a Business

Some of my students know I do a lot of real estate and paper investing as well as buying and flipping businesses. I want to relate leverage to real estate investing. When you buy a property, you put in a little money and leverage the rest. You made a small down payment and used somebody else's money, like the bank's, for the rest.

A **leveraged buyout** or **LBO** is using the same method to buy a business, except you very often use the assets and cash flow of the business to complete the down payment and possibly even the monthly installments. A lot of people think this is reserved only for multi-million- and billion-dollar deals on Wall Street and in the movies, but that is not the case. A business can literally buy itself and we use the leveraged buyout (LBO) or the LBO ideas to buy any sized company without using any of your own money. Now, when I go into talking about flipping a business, I want to make a distinction here. When I buy a business I intend on running, the owner will probably be out of the business. If I am looking to flip a business, the owner stays

in the business and we sell it later for a much higher profit. The owner now receives a smaller percentage of a much larger deal versus whatever down payment they were going to get in an outright sale.

As I go through this chapter, I want you to think about if you are interested in buying a business that you will own, run and keep for as long as you choose or if your goal is to buy the business and then flip it. You really need to understand the difference and make the distinction to determine your strategy. If you get into the mindset you are going to buy and flip it, but then change your mind later, that's fine. If you know what your exit strategy is going to be, however, you can use some of the techniques we are talking about to buy the business and use our marketing and training techniques to increase the business profits—so you can sell it later or just keep the cash flow if you want. These are some of the things that we teach our students at our multi-day training workshop.

### **Are there a ton of LBO techniques or are there only one or two?**

To learn how to use an LBO you need to understand there are many different ways it can be done. To someone who knows nothing about business or how to go about buying a business, they can seem very skeptical or mysterious—even illegal to people who just don't know. In our office, we have over forty different LBO techniques

that any entrepreneur, including you, with just a little bit of knowledge and assistance can put into action to make a no or low cash down payment to make a business acquisition.

### **Mike, what kinds of leverage techniques have been successful for individuals like me who are just getting started?**

Aside from using a business's own cash flow to buy itself, which is what we covered in the previous chapter, you can actually knock on the door of a business that stands to benefit from the transaction more than you do. Those people are your prospective suppliers. Let's think about this for just a minute. You are going to be a giant cash cow to them, especially if you are going to make the business grow beyond its present levels. You will be buying more products from them on a regular basis and they will want to keep your business.

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#### ***Insider Secret***

We find out which is our main supplier of the business and approach them with a very simple offer. They would loan us X amount of dollars in exchange for our continued business. I guarantee you that once we present the math to them in calculating the minimum annual return on their investment and adding the interest on the loan, even those who might

initially be reluctant usually come around. Now naturally, you would make an agreement that if you switch suppliers you would pay the balance of the loan immediately. This locks you into using a specific buyer for a time until the loan is repaid and also establishes your credibility as someone who will make this business succeed.

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### **Can you give me another LBO technique?**

Sure, let's talk about a really good leveraging tool called a **sale/lease back**, which works across many fields. It works in real estate, it works in equipment, it works in receivables, and more. Basically, you sell equipment or machinery to a third party who then, in turn, turns around and leases that equipment back to you. This is a great way for you to get a chunk of cash for the down payment.

You need to use that equipment anyway, so you do end up paying a small monthly payment on it, but that comes out of the cash flow of the business.

### **I heard someone mention the term “factoring.” Is this an LBO technique or should I ignore that?**

**Factoring** is a great way to get cash into a business. Factoring is a little known (especially among small businesses) method of buying without using cash. Now, a bank or finance company would lend you typically up to 80% of the value of all of the receivables. A **receivable** is

money that is owed to the business that is typically under 60 days old. If the business has receivables that are older than 60 days, you would probably have a problem borrowing against them, so don't look at that as a method of creating cash when you are evaluating a potential company. You need to dig into the receivable situation in any business you may be interested in buying.

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### ***Insider secret***

You can actually sell the receivables to a factoring company who would pay you as much as 70%-80% of their value. The remaining amount—less the company's fee paid after the receivables are collected. You get cash today of 70%-80% of the receivables and then you get a little bit more money later down the road. That is a good deal for everybody.

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### **It is worthwhile to look at assuming the payables of the business and possibly using that to buy down the seller's down payment?**

You bet! You are absolutely on the right track. When we consult with clients like you who want to buy businesses for little or no cash, we always look at the possibility of assuming the trade payables owed to suppliers. Depending on the amount that is owed, assumptions of these obligations can either reduce or eliminate your down

payment entirely. Keep in mind, you will still have to pay the suppliers within 30 to 60 days, but for that time period you can, in effect, take over the business on what is known as an **interest free supplier credit or loan**. Cool? Right?

### **What is your opinion on buying a company by using a credit card? Would you recommend it?**

In this current economy, many individuals have found that credit card limits have been slashed or eliminated all together without any notice, putting many companies and individuals into a bind. Now, if you have a credit card where you can get \$5,000, \$10,000, or \$50,000 or have been through some of our business credit building programs where you can get \$200,000 to \$500,000 lines of credit that don't use your personal credit, then yes: you can use those lines of credit for your down payment. If you have been following the process with our business credit builder programs, you will notice that a lot of these lines of credit have zero interest loan terms. You are borrowing the money and paying it back using the cash flow of the business and you are paying zero percent interest on it. Now that is a great way to go!

**I remember in the movie *Pretty Woman* that Richard Gere would assume the debts of an existing company as a way of taking control of the company and then break the company apart and sell off various parts of the business. Is this something that could be done on a smaller scale in the \$1,000,000 to \$5,000,000 range?**

I mentioned debt earlier and debt scares some people. Debt can actually be used as leverage and can be a great opportunity for you. When acquiring a business using the existing cash flow of the business to pay debt, you assume the other debts of the business when you take it over. Often times, you will find a seller who puts a business on the market to get out from under the debt that is in the business already. In other words, sellers who feel the pressure of never-ending obligations and the fear of staying above water are sellers who are more than willing to trade their business and debt for a no cash down payment. Acquiring the existing debt often eliminates your need for cash in buying the business to begin with.

A company that is over-leveraged or has high debt can be a great takeover opportunity because you have the knowledge of how to go into that company and triple its profit in 12 to 18 months. The existing debt is based on its existing cash flow. You may increase its profit by doing some small things that do not necessarily increase your

expenses. You would turn that business around and more than cover that existing debt and the payment on the debt, while still making yourself a healthy profit in the meantime.

In your free bonus training included with this book, I cover one case studies where we took over a troubled company that had too much debt. I show how we removed the debt without paying anything and instantly increased the value of the business by six figures. You can go here to check it out → <http://bit.ly/2IORMzm>

One thing I want to caution you about is not over-analyzing the deal. Don't fall into paralysis by analysis. If you see a good deal, don't be afraid to move forward. Don't ignore it just because you are unsure of the numbers. Get a good CPA on your team who will evaluate the details for you and help structure your deal. Or contact our firm, who will help you structure the deal where we could partner in bringing cash to the deal or find the factoring companies, CPAs, attorneys, etc. We can help you if you let us. No one said you had to do everything on your own.

This is one of the best times we have had for buying businesses. Just as it is a great time to buy real estate, it is also a great time to buy a business. People are short on cash and want to get out from what they see as an insurmountable burden—which you now know is really an opportunity. Keep in mind; if you are looking to buy a

business you want to run, you can structure the deal in a phenomenal way. If you are looking at buying the business to flip it, you are going to keep the owner in place, increase its profit and then flip it down the road for an even larger payday without doing the work of managing the company on a day to day basis.

### **Can you give me one more LBO technique?**

Here is one you may be surprised by: If you find a business using a business broker, the business broker may loan you back the commission they are going to make on the transaction. Keep in mind that brokers may insist in the beginning that financing is not their business, but an easy come back on that is that you are up against the wall and if they can loan you a portion of their fee at a reasonable interest rate, of course you can actually do the deal. A smart business broker will see the writing on the wall you are up against and that the deal will be in jeopardy any other way. If you don't close the deal, they don't make a fee. But if you do close the deal and they get part of their fee, then they get the rest of it later, plus interest. By loaning a little bit or all of their commission, the deal goes through, they also get a win.

Some business brokers earn as much as 10-15% of the sale price as their commission. I don't know about you, but I think that's a lot. So, on a \$1,000,000 sale, the broker gets \$100,000-\$150,000. Getting the broker to take a portion of

their fee as a note makes the deal better for everyone.

### **Are there any other no cash techniques you haven't touched on?**

Absolutely! In our multi-day workshops we go over all the no cash methods of buying a business. We teach sixty-nine different ways to buy a business. If you are serious about buying a business for yourself or flipping it, we want to partner with you and provide a proper structure to buy the business and flip it, so that everybody can make money. Keep in mind that money is not an obstacle that stops you from buying a business. It is just a small step you have to navigate to have the business that you want to turn around and flip for hundreds of thousands or even millions of dollars so you can achieve the life that you want.

## Case Study: AAMOCO Gas

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*We just acquired 8 AAMCO service centers funded by the Corporate Headquarters. We should now own all 8 centers free and clear in less than 18 months.*

*Robert J., IL*



Watch this full case study in a free training here → <http://bit.ly/2IORMzm>

Scan this code to go right to the training.

## Chapter Review:

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1. When you use a credit card, you are actually using leverage—meaning you are buying an asset using other people's money. Or when you buy a house, you make a small down payment and are using the bank's money to buy the house.
2. Our multi-day workshops will cover over 40 different viable forms of LBO buy out techniques.
3. Suppliers can help provide the financing because they need and want your future business.
4. Using the business' own receivables by borrowing against them or selling them to a factoring company, where you get 70%, of their value can get you the cash that you need right away.
5. Assuming the payables of the company is another way to pay the seller's cash down payment.
6. Assuming the debt is yet another way of taking over a company without paying a down payment.
7. Be aware of paralysis of analysis. If it is a good company, have your team back you up and move forward with the deal.
8. A business broker may provide you with part of the financing you need from his commission.

## Chapter Seven

### The Art of the Deal

Most people who try to get into buying businesses get intimidated because they don't understand the rules of the game. And that is exactly what it is: a game, and a very old game at that. But this game is actually easy to play if you have the right kind of coaching on the sidelines. Getting a deal to work in the timeframe and terms that you want is as much about addressing the seller's emotional wants and needs as it is finding money for the deal.

If you learn to focus on some of the intangibles that play into the psychological issues of what the seller wants versus what the seller needs, you can easily direct the process and get a better deal. Newbies who start out and only focus on numbers and financing often lose sight of personal issues that can be equally or more important to the final sale.

Buying a business is really not any different than buying a piece of real estate. When buying a piece of property that would rent for more than it would cost me to get a loan on the property, I would take a small down payment, buy the property using a bank loan or private funding to finance the

difference, make a monthly payment on the property using the rental income from the property and keeping the remaining balance as profit each month. Plus, you get to depreciate the house itself which helps lower your taxes, which means a profit each month. This can be done not only with single-family homes, but apartment buildings and other commercial buildings, and this process works on a business well. It is really not any different. You are just looking at a single-family house as an investment vehicle, and a business purchase is the same type of investment vehicle.

### **What is the single most important thing that I need to pay attention to for this deal to work out?**

Your relationship with the seller is based on trust and confidence in each other. It is important to make sure this is maintained throughout the entire evaluation process all the way up to the closing table. The financial numbers, the evaluation, the review are all important, and I am not trying to undermine that, but you must establish some type of rapport with the seller, otherwise the deal always risks collapsing and falling apart.

### **What makes a deal so fragile?**

A big thing to look out for is called **seller's remorse**. It's kinda like in real estate where you have buyer's remorse, in that I have an investor who wants to sell me a house or apartment building at a discounted amount and then they

change their mind at the end because either they think they can get a better deal elsewhere or they don't want to let go of it. It is the same in a business when the owner of the business is so involved in the business that when they finally decide to let go, they get scared they won't know what else to do with their time and won't let go.

You will typically be able to tell if you're dealing with a case of seller's remorse the longer you see the negotiations go on. Seller's remorse is a definite deal killer, and you must be able to remedy it or know when to move on.

### **Mike, I heard a term called "seller's envy." Can you explain that?**

On top of seller's remorse, you also have condition known as **seller's envy**. You will encounter this more when you are working with no cash down deals. Here are the basics: You negotiate a great deal with the seller of the business; you use an LBO and you structure the deal with no cash of your own, and even get the rest of it 100% financed by the seller. You're feeling really good about it all. You like the deal and everything looks like smooth sailing ahead. Then, out of the blue, the seller says something or starts resisting going to closing.

Here is what is actually happening underneath it all:

It's possible that several years ago the seller paid many thousands of dollars in cash up front for the business or

started it with their own cash. You are now buying it with *everyone else's money* except your own. While in reality, it doesn't matter if it isn't fair or logical because everybody in the deal is getting what they want. The seller looks at what you've managed to accomplish, and it becomes about the principle of the matter. The seller thinks you are smarter than he or she was many years ago and, my gosh, what will it look like when people find out they sold the business to you cheaply and you didn't pay a penny of your own cash?

### **Well Mike, what is the solution?**

It is time for empathy. The seller needs to be gently reminded of what he or she is getting out of the deal. It doesn't matter where the money is coming from; the seller is still getting what they want. Who wants to go through this whole process again with another prospective buyer, when you are ready to sign *and* give the seller everything they've asked for!

It is possible, if the seller is financing part of the transaction, they might be worried how the buyer is going to pay if something goes wrong. If that is the case, you can remind the seller how secure they really are in this matter if you default, not to mention what you yourself have to lose. This should cancel out any notion that you are getting the business for nothing.

This is also a great time, if you are looking at flipping the business and you are using some leverage techniques to get the down payment or the cash the business needed to grow the business. Remind the seller that they are staying in the business and are going to get a much bigger payday in about 18 to 24 months down the road. Along with that, you are going to help grow their business and triple its profit in 12 to 18 months. They still stay in control of the business. Sometimes flipping a business is, in fact, much easier than buying a business because you can get rid of all of these fears. The seller is still involved in the business running it day to day. You are just coming in and using better marketing techniques and taking over the business for a major ownership percentage of the business in return for additional growth.

### **Can you go over some bargaining basics I need to look for?**

Sure. Let's talk about a few of them:

1. Come to the bargaining table knowing as much about the seller's position as possible. In other words, what is behind the person's interest in selling the business?
2. How motivated are they to sell?
3. What are their problems and what does the seller want to do in their life after they sell the business?

You can typically get the answers from the seller or the

people around the seller. These answers will give you insight on how to approach the negotiation. I liken this to being able to see the other person's cards in a game of Texas Hold 'Em. You know what the seller has, so you know how to play your hand. Pretty simple, right?

Focus on the terms of the sale, not the price. Most small businesses will typically sell in the one to three times their cash flow range. Once our firm has been able to help you accurately determine that number, price almost becomes a non-issue. Getting yourself familiar with the different no money down strategies and how the process works is critical to your confidence and, ultimately, your success.

Put yourself in the seller's shoes as you negotiate. If you keep in mind what you've learned about the seller, you can design a proposal to meet their specific needs. I always like to ask the seller for ideas on any problems that need to be resolved. Your body is designed with two ears and one mouth, so do twice as much listening as talking. Sellers will reveal a lot about themselves, which will tell you how to win them over. All you have to do is listen.

Always keep a cool head in negotiations, especially since they could go on for weeks, or even sometimes a couple of months. The longer it takes to work out just means you are getting a better deal. Negotiations can break down, emotions can run high, and trying to make a deal that satisfies everyone can bring out the worst in anybody. If you keep in mind that

you are in a type of courtship, then you have the opportunity to win the hand of the seller.

A suggestion is to make your CPA the bad guy. If it comes to the point you can't be flexible and hold your ground without appearing that you are unwilling or unmoving, all you have to do is say, "I hear you and I would like to be flexible on this point, but my CPA feels this would not be appropriate." This way you don't have to be the bad guy and you can continue negotiating in a friendly manner. As a word of caution, don't ever allow your CPA, attorney or other advisors be deal-breakers.

We have seen more deals fall through because CPAs or attorneys don't believe that you should do a deal. You have to be careful about the types of CPAs or attorneys you put on your team because some of them never want you to take any risk whatsoever, which means you will never do a deal. You need to be the final judgment of when the deal gets pushed to the breaking point. Think about it this way: I want a CPA/Attorney to tell me how to make a deal happen rather than ways for it to fail.

## **Can you talk for a few minutes about the different types of seller personalities I might run into?**

Let me start off by saying that most first-time sellers are very nervous. This is not selling a car. A business may be something they have run for a big portion of their

professional lives and it is now about to be sold or traded or bartered away. This can be an emotional process for a lot of sellers, who are still emotionally or financially invested in their companies. One thing to keep in mind that I have found in almost all situations is that sellers will try to cover up those feelings. They don't want you to know how they feel. They want to gain the upper hand in the bargaining process to get all of their emotional and financial needs met.

So, let's talk about some of the seller personalities that you might run into. The first one is called the **EXPLORER**. This is the person who tells you they are more or less checking things out to see if their business is worth selling and a lot depends on the offer they get. This type of seller has a position that is designed to make it seem as if they could take it or leave it, and would dismiss any notion that they are desperate or would sell out cheaply or would need a partner to grow the business if you are interested in flipping the business. This type of seller is most interested in maintaining a slight air of indifference because it helps them feel superior in the negotiation.

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### ***Insider Secret***

This secret is to give it back to the seller with the same air of indifference. So, you might say something like this: "To tell you the truth, I am just exploring the possibility myself. But if you give

it some thought and decide that you want to make a move any time soon, I might be interested in making an offer at the right price.” That will typically get the seller to move off their position and get their number and move them off their position really quick.

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Another personality type is **MR. MAGNET**. This is the type of seller who says there are a lot of people attracted to this business (this is also a very common business broker tactic). Even though there might be a number of potential buyers who might be circling a business, the seller will typically make the claim they are so sought after that you will have to act quickly so as not to risk the chance of being out bid. Never let that type of pronouncement sway you. Don't worry you'll lose out because you'll be outbid by the other swarms of buyers. Two can play the same game. Give the seller your contact information and ask them to call you when things quiet down. Now, think about what I just said. “Give me a call when all the other deals fall through.” In about 24 to 48 hours you will probably be getting a call.

Another personality type is the seller called the **PRETENDER**. This type will run some ads for the business but never fully commit to sell. They may offer the business at a very high price just to see if there is a patsy that will take the bait. It is just like a house that is being sold and the

house is listed for more than the market says it is worth. They want to see if there is somebody out there willing to pay more than what the market will bear, but they are not really interested in selling. Sure, if there is somebody willing to pay the price then sure, they'll sell it, but only at an unreasonable deal.

Another type of Pretender is someone who will waste your time by hinting or flat out telling you they are interested in selling but are only interested in finding out what their business is worth on the open market. For these types of sellers, we like to go in and actually tell them what their business is worth. We won't charge them a dime to do it, but it will get our foot in the door so we could actually do this business as a flip versus as sale. We could acquire a majority interest in the business and grow the business and flip it for a higher multiple down the road. So, the seller ultimately gets all the cash they want and more by letting us partner on the deal.

And yet third type of Pretender is the one who feels seller's remorse. The seller thinks they want to sell, but when it comes down to it, they can't bear to let go. The insider secret here is that something won't feel right from the beginning. Our company and our coaching recommend they see a contract detailing the offer. Now, this costs the seller money and indicates a commitment and will likely flush out the Pretenders from the serious sellers.

## **Is there a secret to telling what the seller will take for the business before I actually make my offer?**

You can use a little-known secret of what is known as a **strawman**. A strawman is when you ask friends or other business associates to approach the same seller playing the role of another serious buyer and have them offer very, very low terms to buy the business. Your strawman should be able to get the seller to concede on some of the points. This becomes very important intelligence for you that you can use in your negotiation with the seller. The strawman offers a lower price than the seller is asking, raising doubts in his or her mind about the original asking price. You come in and offer more than they did, but less than what the seller originally asked. The seller, being confused by the earlier bid, accepts yours because in comparison it seems like a really good deal.

## Case Study: Bail Bonds

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*I found a bail bonds company not too far away from me. I got all (100%) owner financing and it's a profitable business. I couldn't be happier. Thanks.*

*Jim C.*



Watch this full case study in a free training here → <http://bit.ly/2IORMzm>

Scan this code to go right to the training.

## Chapter Review:

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1. Negotiating is a very old game and with some coaching you will be surprised how well you can play it.
2. It is critical to establish a relationship of trust and confidence with the seller.
3. Seller's Remorse and Seller's Envy can get in the way of your end sale and closing.
4. Go to the bargaining table knowing as much about the seller as you can to get the best deal.
5. Focus on the terms of the sale, not the price.
6. Anticipating the various seller personalities will enable you to step ahead and negotiate on your terms.
7. You could use the strategy of a strawman to approach the seller with a low price so he will think your offer is better.

## Chapter Eight

# How to Make Financing a Walk in the Park

By now you have had some great ideas and have learned some techniques on how to come up with the down payments for making the business no cash down deal, but you may still be a bit nervous on how to come up with the balance of the sale price. That actually may seem harder. In reality, it is not. It is relatively straight forward once you understand that money is all around you to buy that business. There are lots of people who would be willing to lend you the cash to help you buy the business. Always keep in mind that it doesn't have to be *your* cash. This is all about leverage and learning about how to get the deal done.

### **Where do I look first?**

It's as easy as looking around you. In fact, let's talk about the most obvious source for getting money for the business: the seller.

The seller is going to look out for their own best interest. Their objective is to sell the business for a good price. Saying yes to a financing request with you as a good

qualified buyer is easy and they will often do it at a lower rate than bank lending rates. In fact, we have structured many deals where we have been able to go into the business, structure it on payment terms, and we never mentioned interest at all and therefore we get zero percent financing.

Sellers can be a lot more understanding about financing than going to a bank. Let me say this, I don't like using banks if I don't have to. I don't ever want to have to go to a bank to borrow money and put up my financials and W-2s in order to get a loan. I don't want to do that and you don't need to do that either. The seller is more likely to understand your deal because they have lived and breathed the business they're selling.

Working with the seller as your bank, you do not have to post collateral like you do with a bank. A bank will want your first born, your blood and a kidney. When you are working with the seller, they will use their collateral in the business to support your purchase. Some sellers may ask for a personal guarantee, but other than that they will use the backing that is already in the business as the collateral they use to loan you the money to buy the business.

### **Mike, how do I bring up the whole part about financing with the seller?**

If you have a seller that says they need all cash at closing, it is true that they may need some cash at closing,

but in almost every situation they don't need all of it in cash. More than likely the real reason for the seller hesitating on doing a no cash deal has to do with their security.

You have met the seller, he might like you, but he doesn't know you well enough to know if you can run his business and still cover all of the financial obligations that you owe him. This is actually a pretty common thought process. This is where our coaching helps out by building in all the legal assurances that reduce the possibility of loss, including a potential security interest for the seller if you need it. Something that you could always say to the seller is, "If you would be willing, I would love to hire you as a part time consultant to help we with new ideas and share some of your wisdom about running the business."

Another common technique we use is when you buy the business, the former owner agrees to stay on for at least 6 to 12 months to help you run the business and provide a smooth transition. Not just between the two of you, but between the customers and their suppliers. Now this strategy is also perfect for flipping because if the owner is already there and, to the outside world, nothing has changed. As I'm sure you remember, in the flipping strategy, the owner remains in the business. You step in and provide better marketing and offer some inside secrets on how to really increase or triple the profits in 18-24 months, which will allow the owner to cash out of the business at a

much higher multiple.

A final thought on getting funding. We partner with our students all the time to get them the cash they need to handle down payments and closing costs. So, it literally requires zero cash out of their pocket to do a deal. Remember, I didn't say no cash was required. I said none of your cash (the student) cash was needed. Do we take a percentage of ownership for doing this? Yes, we do. I'm sure that's not a surprise. We are in the business of buying companies after all and have solved the most difficult part-getting the funds. If you want our help, then let us know. The first step is watching some of our online training which you can do here → <http://bit.ly/2IORMzm>

## Chapter Review:

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1. The seller is one of the best resources for funding the remainder of the purchase price. Keep in mind that the seller will be more understanding than the bank would be if you were ever late on a payment.
2. Proposing the seller serve as your financier is fairly simple and you have nothing to lose by asking.

## Chapter Nine

# How to Laugh All the Way to the Bank by Taking Over Sick Companies with No Cash Out of Pocket

I am about to reveal to you one of the best kept secrets in the business world. Honestly speaking, you can't blame the small number of people who know how to make tremendous fortunes in this field for not spreading the word. They are making huge profits while the rest of the world views the opportunity as asking for trouble. They see a sick business or a business that has difficulties as a problem. In reality, nothing makes you more money than taking over a bankrupt or troubled business. In fact, you can create a perpetual money machine by buying them, quickly reorganizing them and then selling them for a hefty profit.

## **Wouldn't I just end up owning someone else's problems by taking over a bankrupt or troubled company?**

In that type of scenario, the company's problems can actually work for you. The existing debts offer you built in financing for an easy no cash deal. One of the things we have done for companies in the past, either companies we are buying or working for companies individually, we have been able to negotiate a business's debts down between at least a 40-80% discount. Sometimes we can even get down to a 95% discount off what they owe simply because we know how to work with suppliers and the assets of the company. If you imagine for a moment taking a company that has \$100,000 in liabilities and negotiating those liabilities down to a 40-80% discount, you eventually increase the profitability of their company by anywhere from \$40,000 to \$80,000, essentially increasing the value of the company by a multiple of one to three in a small business normal sale scenario. To put it another way, you increase the value by almost \$240,000.

### **So, am I becoming a takeover specialist?**

Actually, a takeover specialist is a great way to look at it. A takeover specialist knows that everyday new owners of troubled companies strike deals with creditors who agree to walk away with less than 20 or 30 cents on the dollar. In some case we get the creditors to walk away with zero!

### **Why do creditors accept so little?**

They look at the alternative. What would they get if the company went into bankruptcy and liquidated? Creditors often accept virtually any amount that is greater than what they would get if the business's assets were put on the auction block. If you offer them just a little bit more than that, they will grumble and groan and complain, but they will often accept it.

In fact, there are several companies which have been bought and sold for tremendous profits that went into bankruptcy as a way to force creditors to accept less than what they were owed. They paid the debt at an enormous discount, came out of bankruptcy as a viable company that was turned around and sold for a very high multiple, all because they eliminated that debt.

### **So, is trying to do Corporate Debt Settlement a solid strategy for buying a company?**

Absolutely! Corporations and other large businesses understand cash flow. They understand that some money today is better than no cash sometime in the future. With the threat of possible bankruptcy in the future wiping them out entirely, getting something now is better than some vague promise of something in the future. So, settling a corporation's debts is a very viable alternative to creating a lot of cash flow. Remember, even if you were to assume the

debts of a corporation, I did not say that you would assume the debts personally, I just said that the corporation would take it over on behalf of the seller. You can now step in and negotiate a reduced payoff of those debts as a one-time payoff. You can still find additional suppliers or vendors for that corporation later to replace the ones you initially negotiated with. If handled correctly, you can negotiate the debts and still keep the vendors without replacing them.

### **If I take over a company for pennies on the dollar, that sound pretty exciting, but am I ending up owning a bad business?**

You know what? In reality there is no such thing as a bad business. Typically, it is bad management that weakens and makes a company go belly-up or bankrupt and closes the businesses doors. It may be that the business in its current state is actually a loser or bad business, but when you step in and use your skills to ramp up its marketing and its profits and reduce its expenses, you can turn a bad company into a stellar company—one that other companies, including merger and acquisition firms, will want to buy.

I want to tell you a story about a young lady named Jennifer Runyan who, when she was less than 30 years old, did something most people her age would never have done. She worked out a deal to take over a bankrupt company whose only product was a windshield wiper blade. What

made the company unique was that it had three types of blades instead of one. What Jennifer did was she ignored the traditional sales channels—such as auto parts stores and Sears and establishments like that—and sold directly to drivers through oil company credit cards. In just one year after the takeover, she was then operating a business grossing \$20 million dollars a year. She is an example of going from rags to riches.

So, what is the moral of the story? Given the transformation of the innovative management any business can become a good or even great business.

### **Can you give me some of the best ways to find a business that would be great for a takeover?**

Learning how to find some of the best candidates for a takeover—and by the way, they are not typically advertised—is a subject that I cover extensively at our multi-day workshops. You'll learn about this a bit more in the next chapter. We teach you the tell-tale signs to look for in business financial statements, specifically red flags in their balance sheet. You'll want to do a bit of detective work as well.

For instance:

1. How are the payables? Is the company feeling the hot breath of creditors?
2. How much has the company lost and for how long?

3. How much is the owner taking out of the business, both on and off the books?

These are questions that you will need find the answers to that will indicate if it is a troubled business and if it is ripe for a takeover.

### **What is the key to using the right target for a takeover?**

Once you get the hang of looking for a business that is ripe for a takeover, it really is possible that you may want to buy and sell businesses on a regular basis as a business itself. I actually call this flipping.

What is critical to your success is in each deal being really aware of where the bodies are buried, so to speak, and knowing the immediate and long-term concerns related to the company's key employees, their customers, their suppliers, sales distribution and manufacturing. That is why it is critical to have competent people working on the transaction, who are deal-oriented and know the process of buying and selling a healthy business just as well as a troubled company.

## Case Study: Throat Spray Company

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- Sale Price: \$150,000
- Gross Revenues: \$115,000
- Net Profit: \$65,000
- Debts: \$40,000
- Purchase Price: \$15k
- Current: In +350 stores nationwide, including every Guitar Center. Expanding international.



For details on reducing debt on a business and increasing its value, check out our online training here → <http://bit.ly/2IORMzm>

## Chapter Review:

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1. The profit in taking over troubled companies is one of the best kept secrets.
2. Rather than merely inheriting someone else's problems, you are getting a company that gets its own built-in financing and treating its debt as a tool you can use.
3. Suppliers take a small percentage on the dollar to get rid of what a company owes them. This drastically reduces the debt that is owed and increases the value of the company you are buying.
4. If the suppliers balk at taking a severe discount for payoff, you can also force the company into liquidation and use private financing or even a bank loan to buy back the assets of the company at a fraction of their value.
5. Our multi-day workshop will show you how to locate troubled businesses ripe for takeover.
6. Don't forget: looking for troubled companies on a regular basis, negotiating the debt and then flipping them quick for a large profit is a solid and proven strategy.

## Chapter Ten

# The Art of the Flip

I want to take a moment and talk about the benefits of flipping a business. It starts with being able to structure what a business seller is looking for—sometimes they need cash, sometimes it is an emotional need, and sometimes they need cash to grow the business. For the seller sometimes it is just not growing to the point they want it to be or they just don't have the management experience to take it to the next level. This is where you can come in and buy a percentage of the business (typically 50% or more), turn around and grow the business using some of marketing techniques that I will talk about here in a few moments. You can literally triple the company's profits in 12 to 18 months and then sell that business to another company, or even a mergers and acquisitions firm who will pay a much higher multiple.

### **Mike, what are some of the key ingredients?**

The key ingredient when flipping a business is that the owner stays in place. You are not going to take over the business and run the business. That is not what you do. You do not have time to do that. In fact, as a business

flipper, you are going to be working on flipping many businesses at the same time. You need to have the right team in place to support you so that the work can be done properly without you having to run the company on a day-to-day basis.

### **You keep talking about the team. Is the team really that important?**

Absolutely! You need the right team to guide you and consult with to make sure you don't miss anything when you are buying. That's not all. When you are looking at flipping a business, you need to have the right marketers behind you who know how to grow the business, bring in the additional sales and, of course, increase the profit. This may be as simple as reducing its existing debt, increasing sales and increasing the number of times any particular customer buys from that business each month. There are lots of different choices.

### **What are some key things that I should look for in a company I might want to flip?**

Actually, there are several things that you want to look for when looking at a company that you might want to flip.

1. Why are they in business to begin with?
2. In other words, why are they selling? If they don't have a need to sell, they are not going to. You need to find a way to make them uncomfortable about

being comfortable.

3. You need to get the owner to look into the future of their business and compare against the times in the last couple of years and the fear of what the future will hold.
4. Get them back to right now. What do they see working with your company will look like in the future?
5. Have them visualize the lifestyle they want to live. How do they want to see themselves? They had a dream when they started their company. What happened to it?

Watch for short timelines. This is something to be careful of. Delayed action can mean there is another deal on the table. Keep in mind that you have something that they don't have. They need you; you don't need them.

**You talked earlier about using an LBO to buy a business where I would be the owner. What are some things that I am going to be talking about when I am looking at partnering with a company that I want later to flip?**

When you are approaching a seller of a business that is not making the amount of profit that it should be making, ultimately your approach is seeing if they are willing to wait and defer the amount of money they would get now in exchange for a much higher number just down the road by

allowing you to come in to add better marketing techniques and increase the profit. Most of the time the seller is going to say yes, they would want to do that. Not all sellers will, and you don't need all sellers to agree. If the sellers are arguing with you in the beginning, this is not a deal that you want. If the seller is interested in what you have to offer, then you keep moving forward. At any time, you can pull out of this deal. You don't need them, they need you. This is something to keep in mind.

Here are a few things that you want to anchor.

1. You have a team and they do not. Our company is your team. We can help you structure these deals.
2. You have systems that will make their business much more effective. You don't have to disclose what all those systems are.
3. Make them see a greater purpose for the business.

### **Are there any good qualifying questions to ask the seller to determine if this is a deal that I want to flip?**

Sure, let me give you several.

1. Are the net sales \$1,000,000 or more?
2. Has the company been in business for at least two years?
3. Is it a big market?
4. Does it have audited financial statements? If not, you

- can settle for compiled, but you would prefer audited.
5. Is there a huge upside in the business, meaning is the business currently running lower than its percentage its in?
  6. Is it a low-tech business? Avoid high tech companies. There is so much change going on there and you risk having the equipment be obsolete in a short period of time.
  7. Is it a low skills business? This means it doesn't require having highly skilled people that are paid a very high salary and who are not very hard to find.

Those are just a few of the questions that you would ask. In our course we cover 29 of those in our multi-day workshops.

### **Are there any mindset type questions I should ask an owner whose business I am interested in flipping?**

Yes. Before we talk about which questions you should ask, it is important to understand why the owner of the business is interested in selling to begin with.

So, you want to ask them these questions:

1. Do you own 100% of the company and, if not, how many other owners are there?
2. What is the structure of the business? Is it C Corp, an LLC, a partnership, etc.?

3. What is their plan for the business to currently grow?  
Do they have a plan in place?
4. Would they sell the business for the right price and, if so, what is the price they have in their head right now?
5. Are they currently profitable? Some will say yes, some will say no. If they say no, then potentially it is a troubled business we could do a takeover on, allow the seller to get out of it by going in and reducing its debt, increasing its profit and selling the business off down the road, and you don't have to take on any of the liabilities. That is a really good way to go.

### **Can you give me some ideas where I could find some deals for flipping?**

Aside from coming to our multi-day workshop where I cover multiple ways, show you scripts you can use and everything else you need to find these deals, let's cover a few here.

1. You can go to different networking groups in your town.
2. Trade shows are a great way to find companies that may want to sell.
3. The Chamber of Commerce in your local area.
4. Business appraisers.
5. LinkedIn.

All of these are great ways of finding deals that no

one else knows about. It is up to you to look around and reach out. Just let people know that you are looking to buy a business all cash. Keep in mind, we didn't say it had to be *your* cash. Be mindful of the phrasing you use. Eventually, you will find someone who says they want to sell or would be interested in selling. You could possibly find someone who doesn't think that they could sell because they don't think their business is worth anything. Perhaps they think they have too much debt. That is a perfect takeover client or a client that we could do an LBO (leveraged buyout) or someone we could partner with and help them grow. There are plenty of companies out there with which you can make a tremendous profit. You just have to start your search.

### **If I am interested in flipping a deal and it is going to take 12, 18 or even 24 months to do it, how do I make money in the meantime?**

That is fairly easy to do because you are helping them grow their business and you are literally tripling their profits over these months. You can actually structure the deal so you are paid a flat fee per month. Basically, this would be a percentage of whatever the owner's salary is on a monthly basis, based on you actually increasing the growth of the business. For example, if the business is doing \$100,000 a month in revenue, you get paid a percentage of all of the additional sales that occur over that \$100,000 mark,

which shows the seller you are only being paid for what you do for the business. They have nothing to lose and everything to gain by allowing you to work with them.

**If I am hearing you correctly, you are saying I can do a flip deal, get paid along the way and still get a big payday at the end?**

Absolutely! In fact, not only can you have cash now, you can have a big payday later, and you *still* don't have to put any cash into this deal.

Let's say you were to use one of our marketing techniques used to increase the company's profitability by increasing the number of times a client will come in, and purchase products or services the company sells. Clients would come on a regular basis instead of once a year, or once a month or three times a year or whatever it is. When that happens, you are able to step in and provide immediate profit to the company.

Let me give you a statistic. A new customer costs seven times more than it costs to sell to an existing customer. You are creating immediate profits, so you can get a percentage of that additional sale.

What I want you to focus on is not getting a percentage of each individual sale, but getting a percentage of the gross revenue increases from the company when you start helping them market and bring in more business. For instance, a

lot of companies don't have a website or have a very basic poor website. They are small companies that do business by word of mouth. If you go in and do a little bit of marketing, some SEO work, a little bit of local search work, all of a sudden you'll start driving traffic to that page.

By the way, any money you spend to drive traffic to their website to get them more sales is paid for by the company. It is not paid for by you. You are getting paid for your knowledge of how to put all of these things into place.

### **Can you give me another example how to help a company increase its profit?**

Yes. Another thing we can do is create an auto-responder email series for a business' existing clients. Most companies do not know how to use an auto-responder. They may have heard the phrase before, but they don't know how to use it, how to maintain it or how to set it up. Because they are too busy running their business, they don't know how to use basic internet marketing skills to drive more business. Keep in mind, the company will pay for whatever the fees are. Whether you go to a company like One Shopping Cart or Aweber or Infusionsoft, you can create an auto responder series that provides information or special offers to its existing customer base. For instance, on a regular basis, give an email offer to buy a product this month and get 10% off on your order over x amount of dollars. All of a sudden, that drives more people to the

website, who buy more on a more frequent basis, which will increase the overall profitability of the company.

## Chapter Review:

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1. Be sure to address the seller's financial and emotional needs when you are structuring your deal.
2. Flipping businesses enables you to easily work on multiple deals at the same time because the owner is still in place running the day to day operations.
3. You can make great money during the flipping process by receiving an agreed upon percentage of the increase in sales you're creating.
4. Keep in mind that you have something that the owner wants. They need you more than you need them. You bring to the table systems and a vision for a greater purpose of the business.

## Chapter 11

# How to Get All the Guidance You Need for All Cash Deals and Flips

You have read a lot in this book and by now I am sure you are pretty darn excited about going out there looking for a company you could do an LBO on or a company you could possibly flip. The benefit of flipping a business is that you have no cash in the business deal, and you make cash along the way while you increase its profits, and you get a huge payday at the end. So, flipping businesses is really the best way to go. Now I know some of you who read this book will be just interested in buying a business no money down and that you'll be happy running the business. I encourage you to look at the business you buy as a business that can potentially be flipped. Why not have three or four businesses where you maintain the majority of ownership, rather than having one business that takes up all of your time to run? With flipping, you already have a person in charge who is familiar with all of the business' operational needs, so you don't need to step in and figure it out. You just do more to increase the profitability of the business and make it better for everyone, so you and the owner can both cash out down the road.

## **Can you tell me more about your multi-day workshop?**

This is a live three-day event that we host in different locations throughout the country. We meet in a boardroom setting and go over in detail what you need to do to find a business, to interview the owner and negotiate the deal, to get the financing to do the marketing, and ultimately to exit out of the deal in 12, 18 or 24 months and make a profit. Our main goal, I will be blunt, is to partner with you on deals. So, our goal is to teach you the right way to find companies, look for the very best deals that we can partner on together. You simply find the deal using what we teach you, you bring the deal to us, we will structure the deal, we will do the marketing and you get a percentage of the deal. So not only can you get some cash now, on a monthly basis you'll also get a percentage of whatever we take in, but you will also get a percentage of a big payday at the end. Sometimes you may get more cash on a monthly basis and ignore the payday at the end. It depends on what your particular need is. We have something that suits everyone. We have a copyrighted system that we will disclose to you. It discusses specifically how you can conduct your individual search and acquisition for the right type of business. We show you how to buy a business from scratch and how to flip it. You will also learn all the techniques for taking over troubled companies for pennies

on the dollar and flipping them to sell for a substantial profit once you get them back on their feet. You will also get a copy of my home study system that covers everything that you just learned. As a bonus, we also include all the necessary contracts, forms and everything you need to buy a business with leverage or to flip the business.

Don't forget you also have access to a 90-minute bonus training where we show you case studies and break the business down into even more detail that we have in this book. Check it out here → <http://bit.ly/2IORMzm>

### **If I have a business candidate right now, can I bring it to you to partner with you on the deal?**

Yes, in fact you can absolutely do that. If you have not gone through our training, you must understand that while we can take a deal referral from you, the percentage will be much less because we have to do more work in the negotiation and structuring of that deal. If you go through our multi-day workshop you will make a much higher percentage by spending a couple days of your time to learn the ins and outs of the business. You can do this completely on your own and it would obviously be to your advantage. But if you don't want to do that or don't have the time to attend training, you can certainly bring a deal to us and we will partner with you to help you buy it as an LBO or how to go in and flip that company, make cash now and a lump sum of cash down the road.

## **What if I am only interested in flipping a business? Are there any upfront fees in working with your team?**

I have great news. The answer is no. If you find a business you want to go into and flip that we can partner with you on, there are no upfront fees. We will partner with you on the business. We do have some qualifiers on the business and some due diligence requirements to make sure we get the right type of businesses. This is where our multi-day workshop comes in handy. It teaches you everything you need to know to go out and find the right type of businesses so we can partner with you. We can go in and help the business grow and triple its profit in 18 to 24 months and then sell it off down the road, with the seller of the business staying in the business and knowing full well that they are not selling the business for all cash right now. They are going to stay in the business, run it and we are going to receive a monthly fee. A percentage of the increased sales or a percentage of the owners salary and we will also receive a majority of ownership in the company, so that when it is sold the seller of the business will receive a smaller percentage of a much larger deal, which means more money in their pocket at the end.

## **If I want to buy a business with none of my own cash and want your help closing the deal, what is the process?**

If you want us to help you structure the deal, we have to know that you are in fact a serious buyer. You are looking to buy a good business to make you at least \$100,000 to \$150,000 per year in net profits in income or salary. It is our way of screening out the tire-kickers who are going to waste our time having us look at all these deals. This is why we want you trained in our process. I think you can understand by now we cannot simply train you over the phone. There are just too many details. By training you first and then partnering with you solves many issues all at once. Invest in yourself and we can invest in you!!

## **This whole idea of flipping a business sounds great! What kind of money can I realistically make doing this?**

The numbers that I am about to talk about don't mean that you will receive that type of income initially. It is all based on your experience, your dedication, your motivation and your persistence to get the deal completed and follow through all the way to the end. Since we don't know anything about you, I am going to give you some basic numbers of what other people have done, but this doesn't mean that you will necessarily do the same thing. Ordinary

entrepreneurs have literally become multi-millionaires by buying and selling businesses with no intention of actually running the business for the long term on a day-to-day basis. Once you learn the basic formula and technique, it is a relative breeze. You might want to become our client just for that information alone! We really flush out the process for you at our workshops so you have as much knowledge about this amazingly profitable technique as some of the savviest entrepreneurs out there.

### **How can I learn more about your program before I commit to it?**

Great question. That is actually relatively easy. The easiest thing you can do is to come to one of our trainings. We offer a money back guarantee that if you come to the training and you are not 100% satisfied, at the end of the first day of training, I will give you your money back. It really is that simple. I know I am taking a risk. You can come to the training and get all the information and then walk out and say, "Give Me My Money Back!" I know that could happen, but you know what? I believe in honesty and I believe you are an honest person, so if it requires me to put my money where my mouth is and you put your faith in me and I put my faith in you, I will show you what to do. Come to the training, attend the first day and get all the information that we have to offer right there. If you like it, you stay the second day and you know it is well

worth it. The fees to attend the workshop are rather high, I will tell you that right off the bat. The first step is to watch the bonus training. Then decide what you want to do from there.

**Go here for the free bonus training**

→ <http://bit.ly/2IORMzm>



Scan this code to go right to the training.

## Chapter Review:

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1. We will walk you step by step through the whole process from prospecting to closing the deal to flipping the deal.
2. You get trained in our copyrighted system and learn to do these deals the right way.
3. If you intend to flip a deal, you do need to attend our live training event.
4. Buying on leverage may make you consider thinking bigger in considering buying a business that can pay you a whole lot more.

## Wrap Up

Now read this: You can do it! Don't let anyone else tell you otherwise. More people fail, not because they can't do the work, but because the support structure around them causes them to "believe" that they can't. I'm sure you know the saying: "Don't try ...*Do*." If you only try, then you leave open the possibility you will fail. If you "just do it," like the Nike commercial says, you will be successful.

Over the years I have met many very successful people who have made a lot of money. I have found that all successful people have three things in common:

- Knowledge
- Wisdom
- Action

Knowledge is not power, it is information. Wisdom is knowing what to do with what you know, and Action is the real power that turns your dreams and desires into reality.

Now is the best time for you to get started. Do you want to follow the crowd and work a 9 to 5 job making someone else rich, or do you want to take control your financial future?

I have a question I like to ask a lot of students at my seminars who are interested in getting started in buying their first business.

Are you going to be like the average Joe who gets up and walks out after learning how they can take charge of their financial life, or are you going to take charge right now and enjoy life?

Imagine you don't get started with the buying your first business today and you move the clock ahead one year. Is your life any different than it is today? Sure, you might get a new car or get a promotion at work, but your life is essentially the same.

Now let's move the clock back to today. You get started today and start looking for a business that you can buy without using any of your own money. You complete your first business purchase. You now start making an additional \$5,000-\$10,000 per month in extra income. Now move the clock ahead one year. How is your life now? Are you able to pay off your bills? How about go on that dream vacation or buy that big screen TV you have always wanted? Or maybe you just have more time to spend doing the things you want with your family.

For many students, it is hearing the success stories of other successful business acquisition investors that motivates them to get up and go for it. For those of you who have gone on from our training, we want to hear from you! Please write to my office with your business buying success stories. Include your written permission for me to share your success with others.

## **Get Started Now and Take Action!**

Reading books is a lot of fun and you can learn a lot of information. The information does not make you money, though. Your ability to take action on the deals you find is what puts money in your pocket.

I want to help you in any way that I can.

So here is how you can take action.

I have formed a team of individuals who are serious about creating wealth for themselves and their families. The team is called the Success Team. Now I am looking for a few individuals to become members of that Success Team.

Unfortunately, we cannot work with everyone. We simply do not have the manpower to do so, but if you are open minded, can set aside a few hours per week to work the business and you are serious and committed to changing your financial situation, then what I want you to do is watch the bonus training video and get started.

Now once again, while I want everyone who is serious to watch the bonus training, do not be offended if we cannot work with you, because we simply cannot work with everyone, but I do want EVERYONE who is serious about changing his or her life to get started.

Believe in the power of you. Who you were in the past does not make who you will be in the future! Control your own destiny and get started today.

**MW MIKE WARREN** #1 International Best Selling Author AS SEEN ON 

Kevin Harrington, One of the original Sharks from Shark Tank



**FREE Master Class**  
**“How I Buy Businesses**  
**Using None Of My Own**  
**Money...**  
**And You Can Too”**

**REGISTER NOW**



**Myth #1**  
**YOU NEED A LOT OF MONEY TO BUY A BUSINESS!**  
While some deals may require money the majority do not require any money at all. Learn how to find these deals.

**Check out your free bonus training!**

→ <http://bit.ly/2lORMzm>



Scan this code to go right to the training.



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Mike Warren is an internationally known business maverick, wealth coach and investor. He speaks, trains and coaches internationally on acquisitions and hyper-business growth. Mike's presentation style has been described as edutainment; a mix of education and entertainment. He is the #1 bestselling author of *The Exit Formula: How to Sell Your Business For 3x More Than It's Worth Today*, an in-depth how-to book on "Growth Hacking" and he also Co-Authored a book with Jay Conrad Levinson, *Guerrilla Credit: How to Get Cash and Credit for Any Business*. Mike and Jay have collectively sold over 26 million books worldwide.

You can follow him on Facebook at:  
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# Revealed... The Secrets Real Estate Guru's Don't Want You To Know!

The average real estate investor makes only \$22.64 per hour when they take into account all the hours they spend working on deals; especially deals that didn't work. That's horrible. You can't get rich at that rate. There is an easier way and it's to buy your own profitable business using Other People's Money (OPM). Don't let a lack of cash get in the way of buying your first business. In fact, don't let it get in the way of buying a few successful businesses. Becoming a "Business Buying Machine" ensures that you don't get sucked into doing the work yourself!

The information you are about to learn in this book will show you how easy it is to find and negotiate to buy a business using none of your own cash. In fact, you will learn how to apply seven different strategies using Other People's Money (OPM).

Then, once you see how easy it is to buy a business, you will discover that you can sell for 3x more than your business is worth today. Here are just some of the many secrets revealed in this book:

- An overview of seven different strategies to fund your business purchase
- Steps to follow to negotiate a successful deal with the seller
- How to make financing a walk in the park
- How to laugh all the way to the bank taking over sick companies with no cash out of your pocket
- How to find the best no-money down deals even though you never see them advertised
- How to work less and make more
- Case studies with actual proof. Copy and repeat.

It's never too late to start your business buying empire. Whether you have started, owned or purchased a business before, or you are looking at your first purchase, the strategies shared in this book will permanently change your approach to buying and selling businesses.



*Mike Warren is an international business maverick whose contrarian strategies have helped his clients generate tremendous growth and increase cash flow for their businesses. He specializes in partnering with companies to help them achieve massive growth and exit your company with a straight cash sale or even taking your company public.*