Caveat Businessus Emptor
(Let The Business Buyer Beware!)

Jeff Belsky
About the Presenter

Jeff Belsky

**Professional Current:** Vice President of Strategy (PTI), Adjunct MBA Professor (Waynesburg University), Adjunct MS Professor (Robert Morris University), Owner (Performance Investigators)

**Professional Past:** 25 Years professional and consulting experience, 20 years educational experience, Adjunct Professor for The International University of Vienna, the Christian University of Kiev, and Colorado Technical University. Owner of Performance Investigators, JB Training and Consulting, SportsShots, Auction Otis, JB Culinary Enterprises, Inspire to Lead, and Rising Leaders. Author of several published articles on business strategy and leadership.

**Education:** BSBA, Robert Morris University; MBA, Robert Morris University; DBA International Business, Liberty University (attending)

**Personal:** Lives in Moon Township, married 25 years, three children
17 Undisputable Laws of Buying a Small Business – without ending up broke!

“Experience taught me a few things. One is to listen to your gut, no matter how good something sounds on paper. The second is that you're generally better off sticking with what you know. And the third is trust nobody in business except yourself.”
- Donald Trump
Law #1: Look in the Mirror – Trust THAT Person!

Trust the person selling you the business about as much as you would trust a wild and hungry lion in your living room with your kids watching TV!

Trust only yourself!
Law #2: Understand the word “Risk”

“Seven out of 10 new employer firms survive at least 2 years, half at least 5 years, a third at least 10 years, and a quarter stay in business 15 years or more.”

- Small Business Administration
Law #3: Always Remember - Owning a Business Requires Many Hats!

- Finance
  - Lawyer
  - Computer Expert

- Human Resources
  - Complaint Department

- Customer Service
  - Therapist
  - Public Relations

- Graphic Artist
  - Accounting

- Janitor
  - Leader
  - Social Media Specialist

- Marketing
  - Strategist
  - Tax Collector
Law #4: Don’t follow the previous owners business structure...do what is best for YOU!

Just because the previous owner is set up as a sole proprietorship does not mean you should be as well!
Lax #5: A business is a money generator, not a passion satisfier or hobby!

Seek our business opportunities that generate money. Just because someone else tells you that the business they are selling created a phenomenal “lifestyle” for them, does not necessarily mean the results will be the same for you.
Law #6: Due Diligence

The best course of action for a buyer is to trust only what they can verify during a rigorous due diligence process.

Check, verify, check again, and verify again! Cover all bases! DO NOT trust the seller.....trust only facts that you, or your representatives, have verified!
Law #7: Hire a GREAT Lawyer and Accountant

Lawyers and Accountants are the lifeblood in any transaction. They will assist in the due diligence process and solidify results necessary to make a business decision.
Law #8: “Most” Sellers Stretch the Truth

In a perfect world you can trust anyone....but this is no perfect world! Sellers want to sell and, in most cases, will do whatever they can to accomplish the task. Trust no one and no data unless proven facts are in place.

Sellers will “stretch” the truth about sales numbers, customer opinions, growth projections, and whatever else to bring up the value of the business.
Law #9: Always Assume there are Skeletons in the Closet

Most businesses have some negative feature(s) that the seller will be reluctant to talk about. You can be sure that any problems will come out later as buyers begin analyzing the business (due diligence), and it could kill the sale if the problems are perceived as cover-ups. This is because buyers will ask themselves (logically) "if they hid this fact from me, what else are they hiding?"

- credit problems with banks and/or suppliers
- recent bad publicity, bad reports at the Better Business Bureau, online, etc.
- expiring patents, licenses, agreements, etc...
- major new competition (such as a new shopping center)
- increasing difficulty or expense in getting raw materials, products, or services
- significant increases in rent to be expected (if the business space is leased)
- leases that are non-assignable or non-renewable
- legal claims, and liens against the business
- pending litigation against the business
- obsolete machinery and equipment, overvalued inventory
- damaged equipment ("on it’s last leg” or “jimmy rigged”!)
- inability of a buyer to replace a "superman" employee
Law #10: Avoid personal guarantees like the plague!

If you don’t have to sign a personal guarantee then don’t! It may come back to bite you in the future!
Law #11: Ignore All Claims of Unreported Income

This is a very sensitive subject known as unreported (to the IRS) cash sales. Some business sellers may try to get you to accept their claim that they had significant amounts of cash income that did not show up on their IRS Tax Return and accordingly want you to include this phantom income in your valuation of their business. I highly recommend that you totally ignore these claims and deal only with the business's reported income. Who is to say if the business owner's claims are true? If the business owner will lie to Uncle Sam might they not also lie to you?
Whenever you look at any business for sale, you should approach the situation with a great deal of caution. You should make it your business to verify all of the facts possible about the business, including determining the reason for sale. There are some very good motivations for sellers to sell and other ones that are not so good. Usually, the best reason for a sale from the buyer's perspective is the planned retirement of the owner or a sale necessitated by illness. By far, the best potential purchase is a long-standing single-owner profitable business where the owner is approaching (or at) retirement age and is generally reluctant to sell but realizes that he eventually has to.
Law #13: The Past Might Not Predict the Future

Just because the business had great sales, service, profit, etc., etc., etc. in the past, does not mean it will in the future. Remember the variables such as demographics, competition, consumer demand, shift in trends, expenses, location, regulations, employees, taxes, availability of resources of products, etc.

Do your research!
Law #14: A Business Is Worth Only Whatever Someone Is Willing To Pay For It At A Particular Point In Time!

Buyers and sellers are natural adversaries; the sellers want as much as they can get and the buyer wants to pay as little as possible. So, what process should you use to value a business?

*Hire a professional!*
Law #15: Negotiations Must Stop At The Signing Of The Purchase And Sale Agreement!

Trying to reopen negotiations after a Purchase and Sale Agreement has been signed will most likely lead to a collapse of the entire deal.

Make sure your ready to sign!
Law #16: “Be Your Own Boss” is a fable!

Owning your own business gives you the “privilege” of having MANY boss’s!

- Customers
- Employees
- Government
- Politicians
- Competitors
- Investors
- And many more!
Law #17: Never liquidate your savings...or, anyone else's!

If your not willing to go to Las Vegas and put your life savings (or your investors/family/friends money) on red or black, then don’t do the same in business!
Thank You

Questions