

Arthur Hamel

Business Seminars

— Interview Series

How to Outfox The Brokers...

Why Business Brokers Can Kill Your Deal

Michael Senoff Interviews Arthur Hamel

Dear Student,

I'm Michael Senoff, founder and CEO of HardToFindSeminars.com.

For the last five years, I've interviewed the world's best business and marketing minds.

And along the way, I've created a successful home-based publishing business all from my two-car garage.

When my first child was born, he was very sick, and it was then that I knew I had to have a business that I could operate from home.

Now, my challenge is to build the world's largest free resource for online, downloadable audio business interviews.

I knew that I needed a site that contained strategies, solutions, and inside information to help you operate more efficiently

I've learned a lot in the last five years, and today I'm going to show you the skills that you need to survive.

It is my mission, to assist those that are very busy with their careers

And to really make my site different from every other audio content site on the web, I have decided to give you access to this information in a downloadable format.

Now, let's get going.

Michael Senoff

Michael Senoff

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Below are two transcripts from two separate interviews with Art Hamel related to questions about Art Hamel's Business Buying System. They go into some aspects of what it's like working with Art to help you do a deal. Please note that Art may or may not be willing to work with you depending on his schedule. If he decides to take you on as a student the transcripts below will give you an idea of what you can expect.

Art: When you start to see the hundreds of thousands or a million that they're going to have to pay, they have to realize one thing. If I'm putting in a ten million dollar business, and I charge them one million dollar fee, they're going to get a business that's worth ten million bucks. They're going to own half of it. They just increased their net worth five million dollars in one second. You can take that five million dollar net worth to the bank. That is a legitimate net worth. They also have a company that's making approximately two and a half, three million dollars a year. They're going to have an income as of tomorrow, of about a million and a half dollars a year. After you pay the investors, you're going to have a million and a half. There's no financing on this. There's nothing else to pay. I mean, this is money that you can put in the bank. That you can take home. That you can buy yourself a new plane or whatever else you want to do. We're talking about a hell of a lot of money here.

Music

Michael: I'm the purchased of the Art Hamel Business Buying Course. I know Art's extended an offer of assistance to purchasers who have begun seriously pursuing buying a business. I have done just that over the past month, and I can use some of the assistance at this point. My dilemma is that I'm constantly asked by business brokers to sign a non-disclosure agreement and provide my personal financials. I have a good credit and about \$600,000 of net worth, but this isn't getting me anywhere with a five million plus business that Art Hamel teaches to go after in his course. I have received plenty of details on businesses below one million, but the broker said the bigger businesses won't give me the time of day. Could you facilitate me getting in touch with Arthur to break through this?

Art: Okay. Everybody has the same problem. I don't care you are including myself. Unless I'm working through a broker that I've worked with before and qualified myself financially the brokers are a pain in the ass.

Now, taking step one – the non-disclosure document. Signing a non-disclosure document is standard procedure no matter what you're doing. So, signing that doesn't mean anything. What you have to realize as we're going out, the broker realizes that a lot of people come through. They waste his time. They get involved in the business, and then they can't put the deal together. What you have to do and what he has to do is sit down – and I keep telling people, stand in front of the damn mirror because there's two things people run into, problems, when they're going into their first business.

Number one, they don't have enough experience in business. They don't have enough management experience, and what you have to do is stand in front of the mirror and keep looking into it, and keep telling yourself that you have enough experience and you can do the job, and you can run this company that you're about to buy.

Now, after you do this a few times, turn to your spouse or your significant other and say, "I have enough experience to do it." In other words, convince yourself. What happens when you go out there, and somebody starts to bring something up maybe on your experience or your background, you're not going to stutter and stammer. What will happen is you'll breeze right by that.

Now, the same thing happens when you're talking about financial because people are always going to try to qualify you financially. What you have to do is stand in front of the mirror and realize that you have enough money to put that together, and working with me it will be an all cash deal. So, that's what you're talking about, an all cash purchase on this.

Now, you have to keep stressing that. Now, if you go out and tell a broker that you have \$600,000 and you want to buy a five million dollar business, even if it was possible to put a deal together, almost all of them are going to kill a deal because you have to understand how they think. They don't think of owner financing because the average owner will not finance. They don't know of any ways to finance a business. So, what they're looking for if you want to buy a business for five million dollars, you have to have five million dollars.

I've had a lot of people look for a five million dollar business and say they have four million dollars, and the broker cuts them off because they don't think you put it together.

In the class, when I was teaching years ago, and when I talk to people today, everybody, I tell them the same thing. There's a lot of brokers out there and what they do is they stand in your way. The biggest obstacle that everybody has in putting a business deal together is going through the

broker, and if you're getting a bad experience and you're having a problem with it, and you'd like to have a good day, go back to your books, go to the section on financing a business, and it's going to say that say you want a manufacturing company. What you should do is go down to the library, and there'll be a book in there for your state. It will state, "Manufacturing Directory L.A. Times Mirror." They're the ones that usually put them. They're for every state. They also have books down there on an annual basis for retail businesses and service business, but mainly manufacturing.

In there, all the companies in your state will be listed. It will be listed by category, by city they're located in. When you go to that, you'll see the name of the company, it's a printing company. You'll see Printing Company, and you'll say, "I wonder if it's large enough." Well, if you're going after a business that we may be talking about, you're going to have categories – A, B, C, D – and say you're going to go after Ds and Es, and you're going to follow-up.

Now, in here, you have the name of the owner. You have the address. You have the phone number, the number of the employees, etc., what they do – the whole thing, and what we always suggest is that you sit down, make up letter that you can send to them – don't send them a fax. If the office gets a fax stating that you want to buy their company, every employee's going to be upset, and the owner's going to call you back calling you all sorts of names.

Michael: Right, good point.

Art: So, the basic thing is to send a letter – personal to the person who will open it. Now, the average broker that's going out to get a listing sends these letters out all the time because I've basically trained them at the beginning, so that's what they do. They send these letters out.

In that, it says, "Dear Sir, I'm a broker. I would like to list your business. I have a number of buyers." Well, if you want to do something, say, "I know a lot of brokers write you letters saying that they have a buyer, well, here I am. I'm the buyer. There's no broker involved, and I'm in a position to pay you all cash.

Now, what's going to happen is a large percent of the people that you write to are going to call you back. Okay? They're going to call you back. Why? You're a buyer. Even if they don't want to sell the business, what's going to happen is they're going to read the letter. They're going to set it aside. They're going to go home that night and say to their spouse, "You know, somebody came in and said they want to buy our company and pay us all cash. What do you think about that?" And, the wife or husband says,

“And, when are we leaving?” “Well, I didn’t answer it.” “When you go in tomorrow at eight o’clock or six in the morning, you get on that right away.” And, what happens is a large percent of the people will respond, and what happens is you now have an appointment. There’s no broker in the middle, and you’re going to find the seller doesn’t really try to qualify you because if you walked in straight and have that feeling that you can put all the cash together, I want to tell you something. If you listen to me, if you go out for a standard contract, if you’ll pay a market rate on the thing, and you put together a good business plan that attracts people that will put up at least a million bucks, what’s going to happen is you will have the money to put that together.

The thing they have to realize, and most people when they’re getting started don’t realize it, when they’re working with me with investors, once you get to the point where you have a contract signed and you have a business plan complete and when I come in and we sign an agreement, pay me a fee for me to raise five, ten million – whatever the heck you need in the transaction – you then get weekly notification. Every Friday before I call you, I will send you a fax or an email describing every single person that I’m working with that week. On Monday, I work with Charlie and Bill. This is their phone number. This is their address – so on, so on. Tuesday I worked with this bank. This is the bank’s name. This is the status, and you will have five days of status by Friday. I then will call you and review you with it.

Now, the reason I do it in writing first is so that you can keep it in a log and look at every week and refer to the last week. Each week, you’ll know where you are and almost every time I’ve ever done this, by the time we’re at the first week even though we don’t have everybody lined up, we have more people in the air, more balls in the air, and if you need ten million dollars you’re going to find we’re probably work on 15 or 20 in the first week. So, you have the status.

I was working with somebody in Florida, and he was having trouble with this. I said, “Look, here’s what you do. You go in there.” They want me to go in and talk to them. I keep saying, “I can’t do that. They’re going to ask for a commitment.” But, let them realize, once they’ve signed a contract, once you have put together a business plan, and I come in and talk to them – because I’m going to talk to the broker, I’m going to talk to the seller, and I’m also going to meet with the buyer. You have to do that. The investors insist on it.

Now, once I get there, I’m going to tell you and them is you’re going to have an update every week in writing. I’m also going to give it to you verbally on the phone. Now, starting with our deal a couple of months ago in Florida, I’ve said to the buyer, I said, “Look, I’m going to send you a

sheet every week. Feel free to make copies and give them to the seller every week. Feel free and give them to the broker every week.” I said, “We’re not playing games here. We actually put these deals together. We actually have real investors. We actually have real dollars here.” And, if anybody is a non-believer, all the people that are listed on there have given us permission to have either the seller or the broker or the buyer call them. You also have the names of the attorneys, the CPAs, and when you do that and the owner of the business and the broker can see this marching forward, it really blows their mind. You can not believe it. What it does is take the pressure of you, and everything flies from that point, and a lot of times it helps to tell them how this works, saying, “I’m working with some guy named Art Hamel. He’s been doing this for years. He’s been doing with investors for 25. He’s been in business for over 50.” If they want to run a check on me, tell them I draw up more people to buy businesses than anybody else have every done, in fact everybody combined, and we’ve taught seminars for 15 years. We’ve never had one complaint ever filed, and if he checks on me they will find that in all the years of doing this, we offered and gave every single person that came to our class, free help so they bought a business.

The program has to work and we have to be real, and we have much more money available than we have deals. In fact, if you talk to anybody of the investors and say – say you’re a buyer and you’re buying a business, you can tell a seller, say, “If you happen to talk to any of the investors that have worked with Mr. Hamel in the past, he always tells you the only complaint you’re going to find is Hamel doesn’t put together enough deals taking all the money.” That’s always been the complaint. They always come back and say, “Why don’t you do more?”

So, Michael, when you started talking about bringing additional people on, and me not buying the businesses but helping other people, which would multiply this, we’re going to make a hell of a lot of people happy because there’s a lot of people, as I told you right from the beginning, that want to invest in these businesses. It’s a very good deal for them because-

Michael: But, what you said really hit home to me yesterday because you said, “We’re not trying to steal a business. We’re just looking for a business that makes sense, we can buy at a market value so the investors can make an extra two or three points on their money compared to what they’re already making.”

Art: That’s right, and the thing to keep stressing is we’re going to pay all in cash, and if you keep saying all cash, and you’re one of the first ones to get in there, if you do get to the seller, you’re going to find that nobody else will be able to buy the business. You have screwed the seller’s mind up. I have done this. In fact, after you start to do it, once you start to get by

the brokers, you're going to find the biggest problem you have is the sellers are relying on you. They're expecting you to buy it, and if you decide not to, they are very disappointed.

The key thing is the mental situation of somebody going in. Again, I get discouraged myself and I've been doing it for years because the brokers qualify you. A lot of them will qualify you on the phone. In fact, they'll almost hang up on you, I mean, they're so rude. If you want to get around it, again, go direct, go to the directory, contact the people, and again you can write them a letter. If you like, you can call them on the phone. When the secretary or whatever intercepts the message say, "I'd like to speak to Mr. Smith." You'll know his name. All that information will be in that directory you have, and you ask for him, and if she asks you what it has to do with, say it's personal, and I've had a couple of them really pin me down on it, and I would say, "I happen to represent a company with hundreds of millions of dollars, and we're interested in buying his company for all cash." Boom!

Michael: That's right.

Art: I've always gotten through.

Michael: Absolutely.

Art: I've had some very sarcastic, and then after I in there, she's, "Oh, you're Mr. Hamel." I said, "I'd like to reassure you that if I do buy the company, I never fire anybody."

Michael: That's funny.

Art: She's sitting there thinking, "Geez, I gave this guy a hard time." But, the key thing is they have to convince themselves. Again, we've been through this for years, and it's been one of the biggest problems – how to get by the broker.

Well, first of all, my whole program years ago was not built on going through brokers. In fact, if they go through the program because, the cassettes, the book, the outline – whatever it happens to be – I don't say positive things about brokers, and that was years ago. I say the same thing today. If they start working with me, if they hear something positive about a business broker other than individuals that I recommend that them to go to, what you're going to find is, I must be getting ill. They should put me in a home somewhere because brokers are the biggest pain in the ass.

Now, when we first started out years ago, as you look at the program that we set up in the beginning, the whole thing was built around going out and

making the contact yourself. Although you may think a broker's going to provide something for you, and again years ago they did. They put together a nice package which you could use on your business plan. For example, last week I was working on a business in L.A. I'm trying to buy. The price on it was nine million dollars. A national brokerage firm from the San Fernando Valley was handling it, a woman. I could tell by the ad on the Internet that she didn't know what the hell she was doing.

So, I called her on the phone. I send the stuff in – the disclosure documents. She already had me registered with her company. I have enough financial so that I don't have to keep requalifying. So, what happens is she sends me this information. I get a page and a half back. I raised hell with her because I said, "You send me a page and a half." I said, "You're charging me an enormous fee, and you're giving out a page and half." You know what she said to me? "Why don't you come up to the San Fernando Valley. That's what we like you to do, and you'll sign some documents, and we'll let you go through some of the records." I said, "Ma'am, for eight years, I was on the Department of Real Estate, and if I were on it right now, I would be getting your license and I would be taking you to the real estate commission and you wouldn't have a license in 30 days." "Wow, what are you saying?" I said, "Are you really a broker? Have you ever done this before?" She said, "Are you saying I'm not competent?" I said, "Well, I'll tell you what. Why don't you talk to some of the top people in your company and ask if they know who I am, and then ask them why I get angry. The reason I'm angry is I don't like working with people like you. You ought to get out of the business now." I'm sure she has my picture on her dartboard in the San Fernando Valley.

The brokers that go to my class, and we get in there and they say, "You're putting down brokers. Why are you doing that?" I say, "Okay, I'm putting down brokers. Now, is there anything that I've said that wasn't true?" They said, "No it's all true." "What's your problem then?" They said, "Well why are you telling everybody? It makes it hard to make a living."

Michael: They can't make a living doing what they do, so they got to lie and cheat.

Art: That's what they do and they get away with it because what happens is even though they have a license, the Department of Real Estate doesn't follow-up and most people they just screw around with business. They don't bother going after them not like they do in Real Estate. Now, at the time, I was with commish, we work on a study for the legislature. What we were suggesting was at the time they were going to have a separate license for business brokers.

After I got down – there were three of us working on that. It's funny, as we put that in and they were about to approve it, the commissioner came

to me and ask me, the state asked me if I would like to be the first commissioner. I said, "Let me tell you something, if the business brokers in the state heard that I was going to be the first commissioner of business opportunities, they would all slit their wrist." I said, "Because I would pull most of their licenses." I said, "You've heard me talk."

In fact, what we did during that time, we pulled so many licenses on Ventura Blvd, Wilshire Blvd over a few period, the last two years that I was teaching when I'd be down here for the free lectures, the word would get out. My picture would be in the paper. The word would get out, and all the brokers' offices would do the same thing. Every call that they got, they'd ask the person if they had anything to do with me, and they were instructed to hang up. That's what they did.

The key thing is a person doing this has to realize they are smarter, they are going to be more successful then this broker that they're working with. They have to figure out a way to get by that person.

Michael: Well, you know, you just said it. You pick up the phone. You can get lists for anything. If you want a huge printing manufacturer or what have you, go find them and you go start talking to these guys and they know everyone in their industry, and say, "Do you know anyone that wants to sell their business?"

Art: That's true, and you know, we've actually – we've even suggested at the time. We said, "If you have an industrial park, you want to buy a manufacturing company." I did this in Santa Fe Springs. I owned a number of companies there. When I was there and working on one business, if I had time, I would stop at the next business and ask if the owner was in and I would talk to him. I knew nothing about the damn business other than the building was over 100,000 square feet. They'd always talk to you, and they're always flattered by it, and the thing people have to realize is if they can get close to the owner, they're going to find that the broker thing won't come up, but the people that are the weakest, the people that are always looking for the easy way out are going to keep trying to take the broker thing. If I can convince them, or you can convince, if we can convince them to do it on their own, they're going to go back and tell other people and say, "You know, if you avoid the brokers, you're going to be happier."

The other thing is you're going to go in there and say the broker's going to charge you ten percent commission on it. You can probably drop your price ten percent selling it to me, and you're not going to have somebody that's an asshole.

Now, one of the last things I want to mention. Years ago, one of the problems we had is the brokers themselves, a lot of them, would put together a pretty good package. When you went in to talk to the owner direct, you had to gather the information and put together the package yourself. Well, that's not true anymore because you still have to get the information from the owner, but on the other side you're not going to be getting too much information from the broker. So, the broker serves no damn purpose. In fact, these sellers could run their own ads on the business by seller, and sell the damn things themselves because the people – the stuff they put on Business by Sell, is about the same information you get from the broker, and they're charging these damn people an enormous fee and they're not doing shit.

Michael: How did you teach the brokers to find listings?

Art: Everything's the same. When I first started teaching years ago, there were very few business brokers in the country. I had people coming into our classes all over the country. I still remember one of them that became very large. He took my class in Chicago, and when he got up he said, "The reason I'm here. I always wanted to be a business broker. Nobody knows anything about it. I want to be the first business broker in St. Louis." So, we had that.

Since I founded the first business brokerage designation certified business counselors, all these business brokers out there today that have designations and things like that, have them that are spin-offs of the original company that I put together that I was the founder of.

Michael: Before there were all these business brokers, how were businesses being bought and sold in the marketplace?

Art: CPAs, people would run ads. We could go through the Wall Street Journal on Thursday and find maybe one from a broker. There would be almost two pages of ads in there on big business, almost all of them owners. Now, if the owner didn't want to handle it, they would talk to their CPA. They would talk to their attorney. You wouldn't believe the great packages that the attorneys and CPAs put together. They were always great to work with. Everytime I saw we had an attorney or CPA, I said, "Damn, I want to do that." They've gotten out of it. They've gone to business brokers. It actually would cost them less hiring an attorney or CPA by the hour than paying these assholes because the attorney or CPA would put together a professional package. They also would have access to other investors. They'd have access to ways of putting these things together. I mean a CPA does understand a lot about getting financing because when he has the business owner as a client, the owner could go to the bank. The bank is not going to be very receptive. You're not getting information, but the CPA is

the guy normally that's giving the owner of the business a hell of an education.

When I was in my prime years ago before I got to know a lot of people like I know now, this is what I did. This is where it all came from. I would have whoever was working for me in the office of whatever company I had, when they had spare time, they were always responding to all the Wall Street Journal ads. They were always going to the directories by sections, and we would just take different businesses, different cities, and each week we'd give different responses. It might be a printing company. It might be another type manufacturing, but you see my rules were not set by the fact that I want to own a printing company. What I wanted to do is own a manufacturing company of some sort that made over a million dollars.

Michael: Okay.

Art: I really didn't care what the hell it was, and that's why I ended up with so many different type businesses, but it's all a head job. Let's take the doctor from Illinois. He never had problems getting in, in terms of attitude. Eric, the guy I'm working with right now from Arizona, he's plowing along. I mean, the guy has more guts than anybody I've ever seen. He wasn't able to get financial things. So, I talked to him on the phone. I said, "You're wasting all this time. You've got them to sign a contract, and now you have to go in." So, he said, "Okay." So, he went in the other day and what he said to the owner was, "You're not giving me the numbers. I'll have to sue you under the contract."

Michael: Oh, that's great.

Art: He also gave him a ton of shit on the fact that the non-competition was going to be for two years. When I talked to him yesterday, I said, "Eric, back off on that. When I get over there and we're ready to do something, we'll talk to him about that, but I'm also showing you how to get around it because you're also going to run into businesses where you're only going to have one big customer or two big customers, and you have to have a major plan to go into affect the day you take over. I will show you how to get around that."

We could also get around this other because what happens is he's buying every company that's in the vitamin business supplements. I never had anybody violate agreements because when I'm in there and we're going over the contract, I have things that are underlined, italicized and the whole thing, and I then reassure them if they want to check me out that I will go after them for violating it, and I keep telling them, I say, "The big problem I have in my life is I'm very easy going, but I'm very petty and

vindictive.” I said, “I will spend a fortune to get even with people.” I said, “My attorneys love me. They think what I’m doing is stupid.” But, I just want to tell you that I believe in fair play, and if we’re going to have fair play, you’ll never have a problem with me, but if you try to screw me, I have a lot of time and I have a lot of money and I will go after you. So, why don’t we just set this thing up and if you want to honor it, sell me the company. If you don’t want to honor it, sell it to somebody else because they won’t be as tough to work with as I am. I’m not being tough. That’s what happens. He has not looked at a lot of them.

If you look at a number at one time, and you say, “God, I’m going to be looking at a hundred or two hundred of them.” What will happen is you throw the damn things away that aren’t any good, and by the time you get to the point you have one with very few flaws in it. Everytime I’ve seen somebody only look at a few, they end up getting screwed. And, again, that’s one of the problems with the people that I’ve been working with you, trying to get them to look at more. I keep trying to tell them things. I said, “You know, you’re going to go out, and you’re going to put a business together making a million a year. The investors are going to get a million. You’re going to have a million. Your wife and family are going to love you. They’re going to have a million dollars more to spend.” I said, “Within the first year, you’re going to screw the company up. You’re going to go bankrupt. Your wife’s going to divorce you, and your kids will never talk to you again.” “Are you sure?” I said, “I’m going to tell you something. I’m going to meet your wife when we’re putting this thing together, and I will tell her that story because I’m going to tell her that if your husband goes off and does something stupid like he would just wait and extra couple of weeks maybe a month, you’ll have a good one where you could lead the good life forever, but if he jumps in just to buy anything, because we can put it together. We can put it together with almost anything, but the problem is you have a piece of crap. You have a lot of income, but what the hell good is it. You’re not going to have it for very long, and then you have to go through the pain of divorce. You have to go through the pain of bankruptcy and stupidity.”

I’ve had many talks with everybody you’ve referred to me on this very subject, and as my wife says because she can hear me through the office in the house, she says, “For 15 years you were an educator, now you’re a lecturer.” I said, “What’s the difference between being an educator and being a lecturer.” She said, “You ought to tape record your conversations with these people.” She said, “You are lecturing them all the time.” I said, “I know, but you have to realize I worry about them. I want everybody to succeed.”

Michael: Now, you’ve seen people buy businesses, get screwed, get divorced, go through bankruptcy, haven’t you?

Art: That's right. It hasn't happened to me, but you see in the beginning I made all these mistakes. So, when I'm telling that you shouldn't do this and so on and so on, on each one of them, I've probably screwed up two or three times. There were no books at the time. There was nobody for me to talk to. So, as a matter of me sitting there like a dummy saying, "I just screwed up three times." Dummy, maybe I shouldn't do that next time.

I'm telling them, "You're not going to do it all." So, that's why we have these things and you've been aware of them with me. I like every one of them. I want every one of them to succeed, and there's no reason every one can not succeed. I mean, we should be able, if they would listen and take the time, every one of them should get to the point where they have a business a million plus per year. I know it sounds ridiculous, but the main thing to always keep in mind – tell them they have to convince themselves that they can do it.

What they're going to find is they're going to kick their asses. When they get down to the end, there'll be contracts set up. They have the business plan set up. I fly over. I talk to them. I talk to the buyer and seller, and while they're sitting there and realizing what's going on, and then they get the first letter which shows how many people are interested, okay, Friday. In one week, five days, this is happened. They just sit there saying, "I never believed this would work." Their biggest problem is not finding a business. The biggest problem is in the broker. The biggest problem is not getting the money. The biggest problem is the business plan. That's what every one of them falls down on and I keep telling them, "You get an attorney who will let you pay them at the close. You get a CPA, and they'll let you pay at the close." I keep saying, "Are you planning on going into the business of making business plans?" They say, "No." I said, "What the hell you wasting your time for?" Because what I need is a business plan that's going to impress somebody that's going to give you a million dollar. I say, "You have to understand that business plan is to somebody else, and they thing has to convince them that they're going to put up a million dollars and they're going to get a return, it's going to be a safe investment." It's not 50 dollars or a hundred bucks, it's a million.

Michael: What do you think your investors are looking for in a business plan that are most important?

Art: Okay, start with one thing. The first thing they look at all the time, myself also, they're trying to find out financially what the company has done for the last three years plus this year to date. So, it has to be in there in detail, and it has to be summarized so they can understand it.

The next thing they look at it is the management. Is this management strong? Do I feel confident with this management that we have in there? Again, I don't mean putting resumes in, that's crap. We want to know what experience they have that relates to this company. I don't want to know that there's a president of this company, that's interesting, but I want to know what his background is and how strong his management team is. Everybody wants that.

The third thing they want is the pro forma. In other words, for the next five years, what are they projecting that they're going to be doing? What is their growth going to be? How much money am I as an investor going to get? Because what they're doing is they're bringing a million bucks in, we're going to pay them a return every quarter annually whatever it happens to be, at the end of the five years they get their million bucks back plus they get a percent of the growth of the company. I usually give them half. Everybody I work with only gives them a quarter of the growth. So, everybody wins.

I just want to state another thing people keep missing, and that is am I going to charge them a hell of a lot of money? Yes, the \$150 is nothing. When they start to see the hundreds of thousands or million that they're going to have to pay, they have to realize one thing. If I'm putting in a ten million dollar business and I charge them one million dollar fee, they have to realize one thing. They're getting a business that's worth ten million bucks. They're going to own half of it. They just increased their net worth five million dollars in one second. They can take that five million dollar net worth to the bank. That is a legitimate net worth. They also have a company that's making approximately two and a half, three million dollars a year. They're going to have an income as of tomorrow, of about a million and a half dollars a year. After you pay the investors, you're going to have a million and a half. There's no financing on this. There's nothing else to pay. I mean, this is money that you can put in the bank. That you can take home, that you can buy yourself a new plane or whatever else you want to do. We're talking about a hell of a lot of money here. All they have to do is get off their ass.

I hope you learned a lot from this interview with Arthur Hamel. If you are interested in buying a business and fit the criteria that Art described in this interview, please contact Michael at 858-274-7851 or email arthamel@hardtofindseminars.com

Recently, I got an email from a very sharp investor in Australia who had some really good questions about the Art Hamel system. I called Art to get the answers and - what was meant to be just a short, ten minute "chat" - turned out to be the best interview Art's given to date! He went into a lot of detail about how you can get investor financing anywhere in the world (literally), why most people are shocked when they realize how

easy it is to buy a large business, and even how you can get his personal help to buy a business of your own (Yes, Art will help you through the entire process, if you qualify). And guess what? I recorded this particular call and it is waiting for you below

START

Michael: Here's a question from a guy who's located in Perth, Western Australia. The audio interviews, Art, are very inspiring and quite reassuring in the decision I'm going. I've been involved in real estate for over five years now, and the opinion has dropped about 18 months ago that buying a business is the way to go. I've been looking at business seriously now for over twelve months, placing letters of intent and making offers. The problem I've had is the finance issue. Banks want too much security and vendors are not very obligated to give vendor terms on a good business. So, by the time you've done all your due diligence and the business plan to put into the financiers, you still end up pulling your hair out and coming up short. I like your idea about investors. I've been trying to get investors in Australia, but the investors are just too closed-minded or if you find them, they want too much of the pie to make the deal worth-while. I agree with your analogy with the larger businesses. Once you target a larger business with a good net return, there are less players in the market. I normally target companies with 30-40 percent net ROI, fully managed, and there seems to be plenty of targets on the horizon. I just need the capital and a little bit of guidance once in a while. I have a few questions for you. You mentioned you could organize the investors. One, would your investors invest in an Australian business or company?

Art: The answer always is I was involved in 17 companies over 15 years in Mexico. Every one of those were put together with investor money from the United States. The minimum amount was over a million dollars, and the last of them that we did down there was a telephone equipment company where we brought in 17 million. Here's what I have going that nobody else has going. I have a track record of 50 years in business successfully, most of being in the seminar business I'm also well known, when you bring the two of them to the table, it makes it easier for me to go out and convince somebody that has a million dollars to invest in. Also, I have more money than they have. So, they listen to me.

I'm not saying it's easy. It's just that I run into very few investors that give me a hard time, but what we've done before we get there, we've done our homework. We make sure that the contract makes sense. We make sure that the due diligence has been done. We make sure that the business plan is a million dollar business plan. In other words, you put together a business plan describing a business that will want somebody to put a million dollars in.

Yes, we can do it anywhere because the other thing I haven't talked to you about is we financed a couple of things in the Far East. We worked for a company that owned Singapore Airlines, and they owned another airlines in the Philippines. I needed money in China. They were building dollar side operations and they needed a million dollars of investors which we got for them. Again, when they came to us we were basically their last resort, and I've gotten this from friends of mine in Hawaii because we had helped them finance golf courses.

I don't know if you remember this, but a few years ago when the Japanese were buying everything under the sun, they were willing to pay \$500,000-\$750,000 for golf club memberships in the US. People who were working in Hawaii, were also working over in Japan, and they had structured that. So, it was a Japanese funding, Hawaii funding. We actually got loans on the two golf courses - one in California, and one in North Carolina.

We have been all over, and I was in the import business for I don't even know how long, as one of our companies, and we looked all over the world on that also. In that, the way I got a lot of customers including in Australia because we worked with a plastic company down there in Southern Australia. They made plastic hard, very expensive, and we helped them get going here also. They came to the import side. I said, "Look, I'll get you a credit line if you do business with us for five years." That's what I did in Mexico, and that's what I did in Australia. We have done that in a number of countries.

Keep in mind, when you're in a country that speaks English, it is easier for us to do this because I still have to go there. I still have to talk to people, and it's much better than trying to work through an interpreter.

Michael: What fee do you charge for organizing the investors? And, can this be added to the investors borrowing?

Art: They need ten million dollars, and I want my fee. The amount I'm bringing in is the ten million dollars plus my fee. Now, here's what happens. Let's say they give me 48 percent of the company. Well, the amount they're paying me, they're probably going to be giving up 49-49.5 percent. Don't count on the percentage. All I'm saying is all of they're really giving up is more stock because I'm going out and working it so they're giving up so much stock for the money they need, and then basically I'm bringing in another investor basically, or have an investor that's going to be paying me my fee. They don't pay any of that. Also, we bring in enough money for working capital. If they have attorney fees or CPA fees or bank fees, whatever else, that'll be included in the total. In other words, it's a package deal, and it includes all the money required to do this business, and we don't care how much it is because the more they

ask for, they're going to give up more ownership. That's all. If they don't mind giving up more ownership, they're fine.

Now, as far as 50 percent control, the thing most people have to realize is most investors are not looking for voting stock. They're look for a preferred position. So, if you're going to go public or something some day, they want to have that conversion clause in there to converge the common stocks so they can go public with you, but I would have most of them on a preferred type stock which means they don't have voting stocks, which means you can bring investors in as much as you want within the limits of the cash flow you have.

It's the most simple thing that you've ever done, and although all of them say they want to work with me for years doing this, once they get it done and they're looking back and saying, "Geez, is this all there is to this?" We have been doing this successfully. Again, it has nothing to do with how good I am. It has to do with they negotiate a good, fair contract, and buy at a fair price or market price, and they put together a good business plan. The rest of it just falls in.

Michael: What sort of terms do your investors work with – a rough idea if possible?

Art: They're not terms. What you're looking at is you're looking at equity participations. So, somebody comes in and puts up a million bucks, they expect to get a certain amount of stock. Now, the stock is basically worked backwards, and if basically we're giving them more return than they're getting out. If somebody had real estate, and they were earning ten percent on a million dollars, we can get buy with usually 12 percent. If somebody's earning three to four percent on a CD, we can probably get by again with 20 percent above that. So, the amount that we end up negotiating or he would end up negotiating, is a figure that is above what they're getting right now because we're giving them three things for the investor. We're giving them more return than they get now. We're going to give them more growth. And, the businesses we work on have comparable risk. So, there's no more risk. So, they have the three things everybody's looking for in an investment.

We also have 20-some years with investors of nobody screwing up. I have 50-some, let's say 50. I have to quit saying over 50. I'm making myself even older. These are all things that they worry about, and the biggest problem we run into, you can tell every damn one of them – find a business, getting by the financing, all this is crap. It's nothing. The biggest problem is they have to sit down or get somebody to put together a business plan describing the company and the whole thing. I can't go to an investor verbally and tell the something, or if we have to work with a bank for a credit line, we can't do it verbally. You have to have a business plan.

Michael: All right, that brings me perfectly into the next question. What do you require from me to present the business plan? How detailed? For example, same as what you would give a bank or more in depth in detail?

Art: Same thing that you're going to give a bank. The bank wants at least three years past figures. They want this year to date. They want normally five years pro forma. The key things in there are who we've done in the past three years plus this year to date. That's number one. Number two is the management team. So, when you're describing the management team, I want resumes in there. What I want is a good background of where these people come from. I mean, you can put down that they're lead supervisor. That's fine, but I want to know what the background is. That's what the investors want. So, they look first of all what the company has done financially, what does the management team look like, who's going to carry it forward, and the third thing is a pro forma which is the projection of where you're going over the next five years. The thing that's important with a pro forma is if you're promising them that income of \$100,000 a year, and they don't see it in the pro forma because they're going to think about staying five years.

So, they're going to say, "Okay, the first year I'm going to make \$100,000. The second year I'll probably make \$120,000." They add it up, and as long as they're getting their money back, over that five year period, they're happy and that's what they're looking for.

Michael: Would the investors invest in the Australia dollar?

Art: It's something you have to address. We have ways around it. Tell them the Australian fluctuation or any currency fluctuation is nothing compared to what Mexico was while we were down there. If I just tell him on one deal that we worked, a \$17 million dollar deal, I put that thing together in August of one year. We had certified audits from Price Waterhouse. The bank said they would take the real estate as collateral in the US, which is fine, but they needed to have the certified audits in English in dollars. It took them from August until December 9th to get the thing converted. They charged these people – now, this is just translating for three years, they charged them something like \$75-\$80,000. I got the word on Friday that the thing was ready to go, which means I could call the banks to let them know which I did that Friday. So, we were ready to go on Monday. On Sunday, they devalued the peso 50 percent. I had to sign a contract with them if I bring in \$17 million I get half the company. This is a company doing four million dollars a year net profit.

So, what happened was the contract that I had, I now owned the whole company. I told them as soon as they get the thing back up again – it took

them until June to get the thing back to where it had been. I went through that thing completely twice.

Michael: Is there any industry that the investors would absolutely not invest in?

Art: Let's take risk factor. The worst businesses are service businesses. Most of the people I work with or know, are manufacturing type people. Manufacturing people or businesses, if you took them along the base of retail, wholesale or service, manufacturing business is a safer business based on the ability to sell products, not services or people. You don't have as many people for every dollar you take on. People are a pain in the ass. So, service businesses are tough. But, you also get them for a better price. You don't pay as much for every dollar of cash flow, but on the other hand you're going to get grey very fast. Most of the companies we work on are manufacturing. Those are the easiest ones to put together. They usually have a lot of assets.

So, if we go in there, we bring investors in, and let's say you buy it for five or ten million dollars. You own it free and clear. You're going to have a few million dollars in assets. So, if something went wrong, you can very easily go out and hawk those assets. Unless you have it set up that way where you have no debt, you can expand that cash flow. Even though you have the opportunity to refinance, you don't have to. It doesn't happen.

Michael: Is there a maximum business size that your investors will deal with?

Art: The investors are dealing within their own scope. They're looking at a million or two million bucks. We have got a couple over the years with three or four, but the minimum is a million. So, that's what they're looking at. They're looking at their one small segment. In other words, we don't call all these people together. We work with them individually. Most of the time, they don't even know each other. I mean, they're stockholders in a company, and as long as you're doing well, and as long as you're feeding the information back, they don't come back to bite you. And, you don't have to worry about that, because if they find one in Australia, that appears to be too risky, I will talk them out of it by telling them that we won't do it.

If you'll listen to me as we go along, by the time you get down to the end, you will find that I have dialed them in in a way that leads them into what the investors are looking for, what they're going to put their million dollars on or more. Then, it's just a matter of having a signed contract that makes sense, paying a fair price for it, market price and not stealing it. They're all looking for turnarounds. They're not looking to steal a company. They're looking to pay market for it. The way you do that is you build it up over a five year period, and then you can either resell it or

you could just cash out your investors and keep it all for yourself because you'll have enough money by then to cash them out.

My problem is I have a tendency to overexplain. I'm an old educator. I want to get this across and even when I'm making a presentation at a meeting, a lot of them will say, "Okay, you get up there, tell them the name of the company and who you are, and shut up." They then are hoping they'll ask questions, that I only answer what they ask me because I have a tendency to then go off.

Michael: This is a big thing. When it's a big thing, and if they're passionate about it, they want to hear all you have to say.

Art: That's why our first meeting is always an hour to two hours when I'm talking to you. Even in the beginning they're wondering, "What the hell are we going to talk about for that long?" Once we start to roll on this, and I start to take away some of the fears they have – they always bring up all the things that could go wrong and all the other. Now, I haven't said this lately, but in the class, I used to always tell them the first day, "I want you to take out a yellow sheet of paper, and I want you to write down every single reason you have not made it in a business. I want you to write down every single reason you are not going to make it now, why you're going to fail, who's going to turn you down. I want 50 of them." When they get there the next morning, I say, "Look, you have these. As soon as you go home I want you to put it in a drawer somewhere or a safe deposit box. Then, after you close on your business, take this sheet of paper out, and it's going to dawn on you that every single thing that you wrote down, never happened." That's why people don't ever make it going into business because they have all this bullshit in their head, and it's not true.

I have no reason to lie to them. When we get down to the end, I have to perform. I mean, we have these fees we charge, but unless accomplish what we say we can accomplish, we've done it for nothing.

Michael: Okay, here's in a question in regards to – On the section, "Buyer must provide signed offer to purchase business contract" he says, "Should this be a letter of intent because a contract is binding if we don't get investors to fund the purchase or the business, we will not be able to close on the deal, or is this terminology issue between the US and Australian market?"

Art: Tell him we need a "formal offer to purchase." Tell him a letter of intent is a problem because first of all, I end up going a lot of times – because what happens, a letter of intent is a point 30 to 60 days before close. During that 30 to 60 day period, the person buying the company is doing due diligence. Everytime I have gone out and tried to do it for other people, under this clause, under the letter of intent that is not binding, the seller

pulls out, the seller changes his mind, we find information in there, and they end up falling apart. There's less chance of it falling apart if you have a contract and we also know that there's very little chance that the seller's going to be able to back out.

Also, with a contract, the seller pulls the business of the market. I'm out there busting my ass, at the same time brokers are working on it to try to sell it to somebody else. And, even going to contract, we've had problems with it, but with the contract we have something set in stone. Then the only problem that I have is trying to get the person that I'm working with in Australia, to try to go out and start doing some due diligence because what's going to happen is you have the contract, the contract will give you a month or two to check things out. I'm doing this at the same time. In other words, I'm now bringing the investors in knowing damn well that if they find something that's really bad the thing's not going anywhere. We have just wasted our time.

Michael: In order to meet with buyer at business purchase, due to the logistics and distance of Australia from the US, how will this be done so we keep the cost and expenses in check?

Art: Here's the problem, unless I meet the buyer, the investors aren't going to be interest. Unless I visit the business and talk to the sellers or to the brokers, and not do due diligence, but do some checking just like we're not doing it just by phone – the investors aren't going to buy it. So, it's a problem.

How do you keep the costs down? Well, the problem is until I check it out, the expenses are going to go on until the day I get the Perth or wherever it happens to be in Australia, and they're going to have to pay my expenses there. Now, once we get there, and if the thing goes down, and we can then offer them a contract for them to sign to pay our fee and then we proceed, and at the end of that, they will get all that money back, but they are going to have a charge on that because I'm not going to fly tourist class. They're going to have a first class ticket to pick up which is not cheap, or business class.

The other thing you have to realize on these calls. I can't do this for \$150 an hour and pay for the telephone call. Feel free to come back and question me, because I don't want to get in there and find they didn't put the business plan together, they deal fell through and they want their money back, especially if they're doing it for \$150.

Art: When you start to see the hundreds of thousands or a million that they're going to have to pay, they have to realize one thing. If I'm putting in a ten

million dollar business, and I charge them one million dollar fee, they're going to get a business that's worth ten million bucks. They're going to own half of it. They just increased their net worth five million dollars in one second. You can take that five million dollar net worth to the bank. That is a legitimate net worth. They also have a company that's making approximately two and a half, three million dollars a year. They're going to have an income as of tomorrow, of about a million and a half dollars a year. After you pay the investors, you're going to have a million and a half. There's no financing on this. There's nothing else to pay. I mean, this is money that you can put in the bank. That you can take home. That you can buy yourself a new plane or whatever else you want to do. We're talking about a hell of a lot of money here.

Music

Michael: I'm the purchased of the Art Hamel Business Buying Course. I know Art's extended an offer of assistance to purchasers who have begun seriously pursuing buying a business. I have done just that over the past month, and I can use some of the assistance at this point. My dilemma is that I'm constantly asked by business brokers to sign a non-disclosure agreement and provide my personal financials. I have a good credit and about \$600,000 of net worth, but this isn't getting me anywhere with a five million plus business that Art Hamel teaches to go after in his course. I have received plenty of details on businesses below one million, but the broker said the bigger businesses won't give me the time of day. Could you facilitate me getting in touch with Arthur to break through this?

Art: Okay. Everybody has the same problem. I don't care you are including myself. Unless I'm working through a broker that I've worked with before and qualified myself financially the brokers are a pain in the ass.

Now, taking step one – the non-disclosure document. Signing a non-disclosure document is standard procedure no matter what you're doing. So, signing that doesn't mean anything. What you have to realize as we're going out, the broker realizes that a lot of people come through. They waste his time. They get involved in the business, and then they can't put the deal together. What you have to do and what he has to do is sit down – and I keep telling people, stand in front of the damn mirror because there's two things people run into, problems, when they're going into their first business.

Number one, they don't have enough experience in business. They don't have enough management experience, and what you have to is stand in front of the mirror and keep looking into it, and keep telling yourself that

you have enough experience and you can do the job, and you can run this company that you're about to buy.

Now, after you do this a few times, turn to your spouse or your significant other and say, "I have enough experience to do it." In other words, convince yourself. What happens when you go out there, and somebody starts to bring something up maybe on your experience or your background, you're not going to stutter and stammer. What will happen is you'll breeze right by that.

Now, the same thing happens when you're talking about financial because people are always going to try to qualify you financially. What you have to do is stand in front of the mirror and realize that you have enough money to put that together, and working with me it will be an all cash deal. So, that's what you're talking about, an all cash purchase on this.

Now, you have to keep stressing that. Now, if you go out and tell a broker that you have \$600,000 and you want to buy a five million dollar business, even if it was possible to put a deal together, almost all of them are going to kill a deal because you have to understand how they think. They don't think of owner financing because the average owner will not finance. They don't know of any ways to finance a business. So, what they're looking for if you want to buy a business for five million dollars, you have to have five million dollars.

I've had a lot of people look for a five million dollar business and say they have four million dollars, and the broker cuts them off because they don't think you put it together.

In the class, when I was teaching years ago, and when I talk to people today, everybody, I tell them the same thing. There's a lot of brokers out there and what they do is they stand in your way. The biggest obstacle that everybody has in putting a business deal together is going through the broker, and if you're getting a bad experience and you're having a problem with it, and you'd like to have a good day, go back to your books, go to the section on financing a business, and it's going to say that say you want a manufacturing company. What you should do is go down to the library, and there'll be a book in there for your state. It will state, "Manufacturing Directory L.A. Times Mirror." They're the ones that usually put them. They're for every state. They also have books down there on an annual basis for retail businesses and service business, but mainly manufacturing.

In there, all the companies in your state will be listed. It will be listed by category, by city they're located in. When you go to that, you'll see the name of the company, it's a printing company. You'll see Printing

Company, and you'll say, "I wonder if it's large enough." Well, if you're going after a business that we may be talking about, you're going to have categories – A, B, C, D – and say you're going to go after Ds and Es, and you're going to follow-up.

Now, in here, you have the name of the owner. You have the address. You have the phone number, the number of the employees, etc., what they do – the whole thing, and what we always suggest is that you sit down, make up letter that you can send to them – don't send them a fax. If the office gets a fax stating that you want to buy their company, every employee's going to be upset, and the owner's going to call you back calling you all sorts of names.

Michael: Right, good point.

Art: So, the basic thing is to send a letter – personal to the person who will open it. Now, the average broker that's going out to get a listing sends these letters out all the time because I've basically trained them at the beginning, so that's what they do. They send these letters out.

In that, it says, "Dear Sir, I'm a broker. I would like to list your business. I have a number of buyers." Well, if you want to do something, say, "I know a lot of brokers write you letters saying that they have a buyer, well, here I am. I'm the buyer. There's no broker involved, and I'm in a position to pay you all cash.

Now, what's going to happen is a large percent of the people that you write to are going to call you back. Okay? They're going to call you back. Why? You're a buyer. Even if they don't want to sell the business, what's going to happen is they're going to read the letter. They're going to set it aside. They're going to go home that night and say to their spouse, "You know, somebody came in and said they want to buy our company and pay us all cash. What do you think about that?" And, the wife or husband says, "And, when are we leaving?" "Well, I didn't answer it." "When you go in tomorrow at eight o'clock or six in the morning, you get on that right away." And, what happens is a large percent of the people will respond, and what happens is you now have an appointment. There's no broker in the middle, and you're going to find the seller doesn't really try to qualify you because if you walked in straight and have that feeling that you can put all the cash together, I want to tell you something. If you listen to me, if you go out for a standard contract, if you'll pay a market rate on the thing, and you put together a good business plan that attracts people that will put up at least a million bucks, what's going to happen is you will have the money to put that together.

The thing they have to realize, and most people when they're getting started don't realize it, when they're working with me with investors, once you get to the point where you have a contract signed and you have a business plan complete and when I come in and we sign an agreement, pay me a fee for me to raise five, ten million – whatever the heck you need in the transaction – you then get weekly notification. Every Friday before I call you, I will send you a fax or an email describing every single person that I'm working with that week. On Monday, I work with Charlie and Bill. This is their phone number. This is their address – so on, so on. Tuesday I worked with this bank. This is the bank's name. This is the status, and you will have five days of status by Friday. I then will call you and review you with it.

Now, the reason I do it in writing first is so that you can keep it in a log and look at every week and refer to the last week. Each week, you'll know where you are and almost every time I've ever done this, by the time we're at the first week even though we don't have everybody lined up, we have more people in the air, more balls in the air, and if you need ten million dollars you're going to find we're probably work on 15 or 20 in the first week. So, you have the status.

I was working with somebody in Florida, and he was having trouble with this. I said, "Look, here's what you do. You go in there." They want me to go in and talk to them. I keep saying, "I can't do that. They're going to ask for a commitment." But, let them realize, once they've signed a contract, once you have put together a business plan, and I come in and talk to them – because I'm going to talk to the broker, I'm going to talk to the seller, and I'm also going to meet with the buyer. You have to do that. The investors insist on it.

Now, once I get there, I'm going to tell you and them is you're going to have an update every week in writing. I'm also going to give it to you verbally on the phone. Now, starting with our deal a couple of months ago in Florida, I've said to the buyer, I said, "Look, I'm going to send you a sheet every week. Feel free to make copies and give them to the seller every week. Feel free and give them to the broker every week." I said, "We're not playing games here. We actually put these deals together. We actually have real investors. We actually have real dollars here." And, if anybody is a non-believer, all the people that are listed on there have given us permission to have either the seller or the broker or the buyer call them. You also have the names of the attorneys, the CPAs, and when you do that and the owner of the business and the broker can see this marching forward, it really blows their mind. You can not believe it. What it does is take the pressure of you, and everything flies from that point, and a lot of times it helps to tell them how this works, saying, "I'm working with some guy named Art Hamel. He's been doing this for years. He's been doing

with investors for 25. He's been in business for over 50." If they want to run a check on me, tell them I draw up more people to buy businesses than anybody else have ever done, in fact everybody combined, and we've taught seminars for 15 years. We've never had one complaint ever filed, and if he checks on me they will find that in all the years of doing this, we offered and gave every single person that came to our class, free help so they bought a business.

The program has to work and we have to be real, and we have much more money available than we have deals. In fact, if you talk to anybody of the investors and say – say you're a buyer and you're buying a business, you can tell a seller, say, "If you happen to talk to any of the investors that have worked with Mr. Hamel in the past, he always tells you the only complaint you're going to find is Hamel doesn't put together enough deals taking all the money." That's always been the complaint. They always come back and say, "Why don't you do more?"

So, Michael, when you started talking about bringing additional people on, and me not buying the businesses but helping other people, which would multiply this, we're going to make a hell of a lot of people happy because there's a lot of people, as I told you right from the beginning, that want to invest in these businesses. It's a very good deal for them because-

Michael: But, what you said really hit home to me yesterday because you said, "We're not trying to steal a business. We're just looking for a business that makes sense, we can buy at a market value so the investors can make an extra two or three points on their money compared to what they're already making."

Art: That's right, and the thing to keep stressing is we're going to pay all in cash, and if you keep saying all cash, and you're one of the first ones to get in there, if you do get to the seller, you're going to find that nobody else will be able to buy the business. You have screwed the seller's mind up. I have done this. In fact, after you start to do it, once you start to get by the brokers, you're going to find the biggest problem you have is the sellers are relying on you. They're expecting you to buy it, and if you decide not to, they are very disappointed.

The key thing is the mental situation of somebody going in. Again, I get discouraged myself and I've been doing it for years because the brokers qualify you. A lot of them will qualify you on the phone. In fact, they'll almost hang up on you, I mean, they're so rude. If you want to get around it, again, go direct, go to the directory, contact the people, and again you can write them a letter. If you like, you can call them on the phone. When the secretary or whatever intercepts the message say, "I'd like to speak to Mr. Smith." You'll know his name. All that information will be in that

directory you have, and you ask for him, and if she asks you what it has to do with, say it's personal, and I've had a couple of them really pin me down on it, and I would say, "I happen to represent a company with hundreds of millions of dollars, and we're interested in buying his company for all cash." Boom!

Michael: That's right.

Art: I've always gotten through.

Michael: Absolutely.

Art: I've had some very sarcastic, and then after I in there, she's, "Oh, you're Mr. Hamel." I said, "I'd like to reassure you that if I do buy the company, I never fire anybody."

Michael: That's funny.

Art: She's sitting there thinking, "Geez, I gave this guy a hard time." But, the key thing is they have to convince themselves. Again, we've been through this for years, and it's been one of the biggest problems – how to get by the broker.

Well, first of all, my whole program years ago was not built on going through brokers. In fact, if they go through the program because, the cassettes, the book, the outline – whatever it happens to be – I don't say positive things about brokers, and that was years ago. I say the same thing today. If they start working with me, if they hear something positive about a business broker other than individuals that I recommend that them to go to, what you're going to find is, I must be getting ill. They should put me in a home somewhere because brokers are the biggest pain in the ass.

Now, when we first started out years ago, as you look at the program that we set up in the beginning, the whole thing was built around going out and making the contact yourself. Although you may think a broker's going to provide something for you, and again years ago they did. They put together a nice package which you could use on your business plan. For example, last week I was working on a business in L.A. I'm trying to buy. The price on it was nine million dollars. A national brokerage firm from the San Fernando Valley was handling it, a woman. I could tell by the ad on the Internet that she didn't know what the hell she was doing.

So, I called her on the phone. I send the stuff in – the disclosure documents. She already had me registered with her company. I have enough financial so that I don't have to keep requalifying. So, what happens is she sends me this information. I get a page and a half back. I

raised hell with her because I said, “You send me a page and a half.” I said, “You’re charging me an enormous fee, and you’re giving out a page and half.” You know what she said to me? “Why don’t you come up to the San Fernando Valley. That’s what we like you to do, and you’ll sign some documents, and we’ll let you go through some of the records.” I said, “Ma’am, for eight years, I was on the Department of Real Estate, and if I were on it right now, I would be getting your license and I would be taking you to the real estate commission and you wouldn’t have a license in 30 days.” “Wow, what are you saying?” I said, “Are you really a broker? Have you ever done this before?” She said, “Are you saying I’m not competent?” I said, “Well, I’ll tell you what. Why don’t you talk to some of the top people in your company and ask if they know who I am, and then ask them why I get angry. The reason I’m angry is I don’t like working with people like you. You ought to get out of the business now.” I’m sure she has my picture on her dartboard in the San Fernando Valley.

The brokers that go to my class, and we get in there and they say, “You’re putting down brokers. Why are you doing that?” I say, “Okay, I’m putting down brokers. Now, is there anything that I’ve said that wasn’t true?” They said, “No it’s all true.” “What’s your problem then?” They said, “Well why are you telling everybody? It makes it hard to make a living.”

Michael: They can’t make a living doing what they do, so they got to lie and cheat.

Art: That’s what they do and they get away with it because what happens is even though they have a license, the Department of Real Estate doesn’t follow-up and most people they just screw around with business. They don’t bother going after them not like they do in Real Estate. Now, at the time, I was with commish, we work on a study for the legislature. What we were suggesting was at the time they were going to have a separate license for business brokers.

After I got down – there were three of us working on that. It’s funny, as we put that in and they were about to approve it, the commissioner came to me and ask me, the state asked me if I would like to be the first commissioner. I said, “Let me tell you something, if the business brokers in the state heard that I was going to be the first commissioner of business opportunities, they would all slit their wrist.” I said, “Because I would pull most of their licenses.” I said, “You’ve heard me talk.”

In fact, what we did during that time, we pulled so many licenses on Ventura Blvd, Wilshire Blvd over a few period, the last two years that I was teaching when I’d be down here for the free lectures, the word would get out. My picture would be in the paper. The word would get out, and all the brokers’ offices would do the same thing. Every call that they got,

they'd ask the person if they had anything to do with me, and they were instructed to hang up. That's what they did.

The key thing is a person doing this has to realize they are smarter, they are going to be more successful than this broker that they're working with. They have to figure out a way to get by that person.

Michael: Well, you know, you just said it. You pick up the phone. You can get lists for anything. If you want a huge printing manufacturer or what have you, go find them and you go start talking to these guys and they know everyone in their industry, and say, "Do you know anyone that wants to sell their business?"

Art: That's true, and you know, we've actually – we've even suggested at the time. We said, "If you have an industrial park, you want to buy a manufacturing company." I did this in Santa Fe Springs. I owned a number of companies there. When I was there and working on one business, if I had time, I would stop at the next business and ask if the owner was in and I would talk to him. I knew nothing about the damn business other than the building was over 100,000 square feet. They'd always talk to you, and they're always flattered by it, and the thing people have to realize is if they can get close to the owner, they're going to find that the broker thing won't come up, but the people that are the weakest, the people that are always looking for the easy way out are going to keep trying to take the broker thing. If I can convince them, or you can convince, if we can convince them to do it on their own, they're going to go back and tell other people and say, "You know, if you avoid the brokers, you're going to be happier."

The other thing is you're going to go in there and say the broker's going to charge you ten percent commission on it. You can probably drop your price ten percent selling it to me, and you're not going to have somebody that's an asshole.

Now, one of the last things I want to mention. Years ago, one of the problems we had is the brokers themselves, a lot of them, would put together a pretty good package. When you went in to talk to the owner direct, you had to gather the information and put together the package yourself. Well, that's not true anymore because you still have to get the information from the owner, but on the other side you're not going to be getting too much information from the broker. So, the broker serves no damn purpose. In fact, these sellers could run their own ads on the business by seller, and sell the damn things themselves because the people – the stuff they put on Business by Sell, is about the same information you get from the broker, and they're charging these damn people an enormous fee and they're not doing shit.

Michael: How did you teach the brokers to find listings?

Art: Everything's the same. When I first started teaching years ago, there were very few business brokers in the country. I had people coming into our classes all over the country. I still remember one of them that became very large. He took my class in Chicago, and when he got up he said, "The reason I'm here. I always wanted to be a business broker. Nobody knows anything about it. I want to be the first business broker in St. Louis." So, we had that.

Since I founded the first business brokerage designation certified business counselors, all these business brokers out there today that have designations and things like that, have them that are spin-offs of the original company that I put together that I was the founder of.

Michael: Before there were all these business brokers, how were businesses being bought and sold in the marketplace?

Art: CPAs, people would run ads. We could go through the Wall Street Journal on Thursday and find maybe one from a broker. There would be almost two pages of ads in there on big business, almost all of them owners. Now, if the owner didn't want to handle it, they would talk to their CPA. They would talk to their attorney. You wouldn't believe the great packages that the attorneys and CPAs put together. They were always great to work with. Everytime I saw we had an attorney or CPA, I said, "Damn, I want to do that." They've gotten out of it. They've gone to business brokers. It actually would cost them less hiring an attorney or CPA by the hour than paying these assholes because the attorney or CPA would put together a professional package. They also would have access to other investors. They'd have access to ways of putting these things together. I mean a CPA does understand a lot about getting financing because when he has the business owner as a client, the owner could go to the bank. The bank is not going to be very receptive. You're not getting information, but the CPA is the guy normally that's giving the owner of the business a hell of an education.

When I was in my prime years ago before I got to know a lot of people like I know now, this is what I did. This is where it all came from. I would have whoever was working for me in the office of whatever company I had, when they had spare time, they were always responding to all the Wall Street Journal ads. They were always going to the directories by sections, and we would just take different businesses, different cities, and each week we'd give different responses. It might be a printing company. It might be another type manufacturing, but you see my rules were not set by the fact that I want to own a printing company. What I wanted to do is

own a manufacturing company of some sort that made over a million dollars.

Michael: Okay.

Art: I really didn't care what the hell it was, and that's why I ended up with so many different type businesses, but it's all a head job. Let's take the doctor from Illinois. He never had problems getting in, in terms of attitude. Eric, the guy I'm working with right now from Arizona, he's plowing along. I mean, the guy has more guts than anybody I've ever seen. He wasn't able to get financial things. So, I talked to him on the phone. I said, "You're wasting all this time. You've got them to sign a contract, and now you have to go in." So, he said, "Okay." So, he went in the other day and what he said to the owner was, "You're not giving me the numbers. I'll have to sue you under the contract."

Michael: Oh, that's great.

Art: He also gave him a ton of shit on the fact that the non-competition was going to be for two years. When I talked to him yesterday, I said, "Eric, back off on that. When I get over there and we're ready to do something, we'll talk to him about that, but I'm also showing you how to get around it because you're also going to run into businesses where you're only going to have one big customer or two big customers, and you have to have a major plan to go into affect the day you take over. I will show you how to get around that."

We could also get around this other because what happens is he's buying every company that's in the vitamin business supplements. I never had anybody violate agreements because when I'm in there and we're going over the contract, I have things that are underlined, italicized and the whole thing, and I then reassure them if they want to check me out that I will go after them for violating it, and I keep telling them, I say, "The big problem I have in my life is I'm very easy going, but I'm very petty and vindictive." I said, "I will spend a fortune to get even with people." I said, "My attorneys love me. They think what I'm doing is stupid." But, I just want to tell you that I believe in fair play, and if we're going to have fair play, you'll never have a problem with me, but if you try to screw me, I have a lot of time and I have a lot of money and I will go after you. So, why don't we just set this thing up and if you want to honor it, sell me the company. If you don't want to honor it, sell it to somebody else because they won't be as tough to work with as I am. I'm not being tough. That's what happens. He has not looked at a lot of them.

If you look at a number at one time, and you say, "God, I'm going to be looking at a hundred or two hundred of them." What will happen is you

throw the damn things away that aren't any good, and by the time you get to the point you have one with very few flaws in it. Everytime I've seen somebody only look at a few, they end up getting screwed. And, again, that's one of the problems with the people that I've been working with you, trying to get them to look at more. I keep trying to tell them things. I said, "You know, you're going to go out, and you're going to put a business together making a million a year. The investors are going to get a million. You're going to have a million. Your wife and family are going to love you. They're going to have a million dollars more to spend." I said, "Within the first year, you're going to screw the company up. You're going to go bankrupt. Your wife's going to divorce you, and your kids will never talk to you again." "Are you sure?" I said, "I'm going to tell you something. I'm going to meet your wife when we're putting this thing together, and I will tell her that story because I'm going to tell her that if your husband goes off and does something stupid like he would just wait and extra couple of weeks maybe a month, you'll have a good one where you could lead the good life forever, but if he jumps in just to buy anything, because we can put it together. We can put it together with almost anything, but the problem is you have a piece of crap. You have a lot of income, but what the hell good is it. You're not going to have it for very long, and then you have to go through the pain of divorce. You have to go through the pain of bankruptcy and stupidity."

I've had many talks with everybody you've referred to me on this very subject, and as my wife says because she can hear me through the office in the house, she says, "For 15 years you were an educator, now you're a lecturer." I said, "What's the difference between being an educator and being a lecturer." She said, "You ought to tape record your conversations with these people." She said, "You are lecturing them all the time." I said, "I know, but you have to realize I worry about them. I want everybody to succeed."

Michael: Now, you've seen people buy businesses, get screwed, get divorced, go through bankruptcy, haven't you?

Art: That's right. It hasn't happened to me, but you see in the beginning I made all these mistakes. So, when I'm telling that you shouldn't do this and so on and so on, on each one of them, I've probably screwed up two or three times. There were no books at the time. There was nobody for me to talk to. So, as a matter of me sitting there like a dummy saying, "I just screwed up three times." Dummy, maybe I shouldn't do that next time.

I'm telling them, "You're not going to do it all." So, that's why we have these things and you've been aware of them with me. I like every one of them. I want every one of them to succeed, and there's no reason every one can not succeed. I mean, we should be able, if they would listen and

take the time, every one of them should get to the point where they have a business a million plus per year. I know it sounds ridiculous, but the main thing to always keep in mind – tell them they have to convince themselves that they can do it.

What they're going to find is they're going to kick their asses. When they get down to the end, there'll be contracts set up. They have the business plan set up. I fly over. I talk to them. I talk to the buyer and seller, and while they're sitting there and realizing what's going on, and then they get the first letter which shows how many people are interested, okay, Friday. In one week, five days, this is happened. They just sit there saying, "I never believed this would work." Their biggest problem is not finding a business. The biggest problem is in the broker. The biggest problem is not getting the money. The biggest problem is the business plan. That's what every one of them falls down on and I keep telling them, "You get an attorney who will let you pay them at the close. You get a CPA, and they'll let you pay at the close." I keep saying, "Are you planning on going into the business of making business plans?" They say, "No." I said, "What the hell you wasting your time for?" Because what I need is a business plan that's going to impress somebody that's going to give you a million dollar. I say, "You have to understand that business plan is to somebody else, and they thing has to convince them that they're going to put up a million dollars and they're going to get a return, it's going to be a safe investment." It's not 50 dollars or a hundred bucks, it's a million.

Michael: What do you think your investors are looking for in a business plan that are most important?

Art: Okay, start with one thing. The first thing they look at all the time, myself also, they're trying to find out financially what the company has done for the last three years plus this year to date. So, it has to be in there in detail, and it has to be summarized so they can understand it.

The next thing they look at it is the management. Is this management strong? Do I feel confident with this management that we have in there? Again, I don't mean putting resumes in, that's crap. We want to know what experience they have that relates to this company. I don't want to know that there's a president of this company, that's interesting, but I want to know what his background is and how strong his management team is. Everybody wants that.

The third thing they want is the pro forma. In other words, for the next five years, what are they projecting that they're going to be doing? What is their growth going to be? How much money am I as an investor going to get? Because what they're doing is they're bringing a million bucks in, we're going to pay them a return every quarter annually whatever it

happens to be, at the end of the five years they get their million bucks back plus they get a percent of the growth of the company. I usually give them half. Everybody I work with only gives them a quarter of the growth. So, everybody wins.

I just want to state another thing people keep missing, and that is am I going to charge them a hell of a lot of money? Yes, the \$150 is nothing. When they start to see the hundreds of thousands or million that they're going to have to pay, they have to realize one thing. If I'm putting in a ten million dollar business and I charge them one million dollar fee, they have to realize one thing. They're getting a business that's worth ten million bucks. They're going to own half of it. They just increased their net worth five million dollars in one second. They can take that five million dollar net worth to the bank. That is a legitimate net worth. They also have a company that's making approximately two and a half, three million dollars a year. They're going to have an income as of tomorrow, of about a million and a half dollars a year. After you pay the investors, you're going to have a million and a half. There's no financing on this. There's nothing else to pay. I mean, this is money that you can put in the bank. That you can take home, that you can buy yourself a new plane or whatever else you want to do. We're talking about a hell of a lot of money here. All they have to do is get off their ass.

I hope you learned a lot from this interview with Arthur Hamel. If you are interested in buying a business and fit the criteria that Art described in this interview, please contact Michael at 858-274-7851 or email arthamel@hardtofindseminars.com