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INTERVIEW SERIES

**How To Trade Your Marketing Consulting
Expertise For Ownership In A Business**

Michael Senoff Interviews UK Business Angel Expert

 Michael Senoff's
HardToFind Seminars.com

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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.

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Now, let's get going.

Michael Senoff

Michael Senoff

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How To Trade Your Marketing Consulting Expertise For Ownership In A Business

As a HMA marketing consultant you are going to run across businesses that want growth but don't have or want to invest the capital for your services. Bartering your consulting expertise for ownership of a company can be very lucrative for you. That's why I have posted this recording with Lawrence from Company Partners based in the United Kingdom. Company Partners are specialists in matching Angel Investors and/or Venture Capitalists with businesses who want to grow or who need financing. Additionally, they offer services such as business plan development and consulting. You will learn what an Angel Investor are, the reasons that they wish to invest in businesses and the different levels of involvement in a business that an Angel Investor may wish to have. You will also learn the importance of developing a thorough business plan, whether you are a starting a new company or you are looking to partner with an investor. You will also learn the differences in business plan formats depending upon the type of investor you are looking to partner with. Company Partners have developed a whole psychology of business plan development and Lawrence gives great examples in this interview. Lawrence gives in-depth advice for any startup business or businesses in general, whether you are looking for investors or not. The important thing to know is at his site and other angel investing sites around the world, you can approach key business secession makers and make consulting deals. I have been to the site and was impressed with what I saw. It's free to look at all the businesses that want help. And you can be the one to help them grow by trading your marketing services for ownership in the business. This interview is definitely a "must listen" and I know you will learn a great deal. Enjoy!

Michael: Have you ever seen a business that's listed with you who needs growth and had an angel who provided just his marketing or whatever it is expertise was within an industry without money, but for shares of the company, without actually money changing hands?

Lawrence: Yes, yes. That's been done. We've got a separate part of the website at CompanyPartners.com, which actually is there specifically to bring people together with certain expertise or knowledge or to create management teams where no money is exchanging hands, but people are going into a business sometimes in exchange for shares, sometimes for a share of profits when a business is a success to bring their expertise in it, but they're not actually putting any funding in. They're just bringing their expertise into the business.

Music

Hi, this is Michael Senoff with HardtoFindSeminars.com. I've got another interesting interview with a gentleman out of the UK with a company called Company Partners. They are a service somewhat like a dating service where they bring investors and businesses who want to grow or who need financing together. It's a concept that's been around for sometime, but Company Partners is doing some things quite different, and if you have a business or you want to sell your business, Company Partners can offer multiple services from business plan development to consulting to matching an angel investor. That's a business person who has experience in the type of business you're trying to grow or sell with matching you guys together. Since you're a marketing consultant, you may want to consider this an opportunity for trading your consulting services or bartering your consulting services for ownership of part of the business. This is just one example of the resource you can contact, Company Partners which have databases of angel investors and businesses looking for growth. So, I hope this gives you another idea on how you can barter your consulting services for ownership in a business. Enjoy!

This interview is separated into two thirty minutes sections, and I hope you enjoy.

Lawrence: Lawrence Gilbert.

Michael: Good evening to you Lawrence. This is Michael Senoff out in San Diego in the US.

Lawrence: Hello, Michael, how are you?

Michael: Doing very good. How are you doing?

Lawrence: Not too bad, not too bad.

Michael: Good, well nice to meet you in person and by voice. I suspect this is a good time for you.

Lawrence: Yes, this is fine.

Michael: Lawrence, tell me what is the name of your company and where are you located?

Lawrence: Michael, it's Company Partners, and we're located about thirty miles west of London in the UK.

Michael: And, what does Company Partners do?

Lawrence: Company Partners is an organization that helps people to start-up in business. We do that in two ways. One is much like a personal dating site in that we help people to find others to partner with to start a business because it is easier to start a business if you've got a partner to do that, but we also help people to find funding to start a business.

Michael: Okay, now did this company develop out of a personal experience from yourself? How did it all evolve?

Lawrence: Well, it did. What happened was I set up a company myself, and I found that a lot of people that I had been at college and university with who had great ideas hadn't done so. And, when I talked to them, I found it was mainly because they had the great idea, but it's pretty daunting doing it by yourself. Whereas, I was able to set up mine with the help of my brother and some friends. We were able to bounce ideas around between us.

As an individual, you can't do that, and so the danger is that your great idea will never actually happen.

Michael: Why? What business had you started up yourself?

Lawrence: That was a consultancy company that provided change management to fairly large organizations and local government.

Michael: Okay, do you still operate that business?

Lawrence: It's operated by a manager now, but what I wanted to do was to try and help some of the smaller companies and the people who did not want to start businesses, but perhaps they didn't get around to it. I saw

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that as a perhaps unique area that hadn't been addressed up until now.

Michael: Who did you service with your consultancy business?

Lawrence: We have regional development agencies in the UK – the Welsh Development Agency, and the Southeast England Development.

Michael: Are they business development?

Lawrence: Yes, they are. They are to help the business expansion of that region in the UK.

Michael: I see. So, it's the government.

Lawrence: The government mainly, but they were helping local businesses as well. It was a combination of the two.

Michael: And, you were consulting with the agencies or with the people who needed assistance?

Lawrence: At that stage, with the agencies themselves in helping them set their strategy, of helping them decide how they would help the small local businesses.

Michael: Are they affected? I don't know the comparison from the United States, but I know we had agencies here – a lot of that was dropped years ago, but there's the Small Business Administration. There used to be offices in all the states and because of funding issues, a lot of that has been dropped. But, does the UK do a good job in helping small businesses get started?

Lawrence: It's a bit like a parson's egg, if you know parson's egg, it's good in part. Some of the work that the regional development agency does do is actually very strong, but to be honest, a lot of the implementation of it is by local consultants who are working directly for the agency, but to my mind, I'd have to say wouldn't get a job in real life.

Michael: Right.

Lawrence: And, I think there's a lot of people coming to our side for advice and help who have been let by the local small business support agency.

Michael: They're not expert. They're employees.

Lawrence: Yes, I think that's right. They're not risk takers, and they're not entrepreneurs.

Michael: Okay, so this consultancy business, you started this yourself, and did you do this for a number of years?

Lawrence: I did it for a couple of years. Before that, I had been working for large companies myself, but always on a strategic basis, but I did this for a couple of years, and it is still going in the background, but mainly now I'm concentrating on Company Partners.

Michael: Okay, very good. Let me ask you this. Let's say people have a desire to start a business, but never have or didn't know what to do, can Company Partners help someone in doing that?

Lawrence: First of all, we find out the business does, and the key areas that is different about that business, and we help people advise them on forming a business plan. Without that and people don't realize the importance of it, but without that, you haven't got a marketing tool for your business to attract funding or indeed to attract other partners who may want to help you in that business.

Michael: So, it's your experience that a business plan, whether you want to get funding for a business or sell a business is absolutely critical?

Lawrence: It's got to be done because it is your marketing tool. It is your advert for the business. Many people see business plans as perhaps a waste of time. They would rather get on with running the business or starting the business, but quite honestly without it, you are not going to get people thinking that you're serious in what you're doing.

Michael: Okay, so, is it hard to develop a business plan? Can someone do this on their own with some of the how-to books? Or is this something you really need some expertise on?

Lawrence: I think there's a combination there. You can get it started with the advice that is around in books and also there's a lot of advice on the web, and in the UK certainly and I guess in the states as well, local government agencies advise on the web how to write a business plan, but it helps a great deal if you can get it reviewed by someone who has seen a lot of these because very quickly they will pinpoint exactly what has to change to make it readable and make it worthwhile.

Michael: So, with Company Partners, you're recommending people need a business plan whether they're starting a business or whether they're

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going to sell a business. Is this business plan only to get financing from banks? Or is a business plan also needed in your opinion to get financing from an angel investor or personal investor?

Lawrence: The answer is yes. The type of business plan varies depending on the audience, and that's the key point I guess that I would say about a business plan.

Michael: Let's talk about some of those types. How could you categorize it?

Lawrence: Right, you've got different funding requirements depending on the state that your business is in and also on what you want to do with it. If you're going to bank because all you want is a loan for that business, then you need quite a simple business plan. It doesn't have to be very extensive, and really it's just showing that you've got a workable idea because the bank will be looking for security and collateral anyway for the loan that they're going to give you.

Michael: So, really, they just want to make sure they've got collateral to get their money in case you flake out.

Lawrence: Really, that's right. They just want collateral, security for their loan, and if you've got a business plan, it helps to justify it.

Michael: So, what would you tell a guy who writes a business plan and wants to go to a bank to borrow money for an idea, but he's got no security or collateral? What are his chances of getting the money?

Lawrence: Pretty low. I have to say banks, like venture capital companies, and I'll mention the difference between a business angel and a venture capital company in a second, are not risk takers. They are there seeking to safeguard their own money and make a small profit on that. They're not risk takers.

Michael: What's another type of business plan and how should that be structured for different financing?

Lawrence: There's two other types if you like in terms of getting funding. One is for business angels, and one is for venture capitalists.

Michael: Well, let's start with business angels and describe what is a business angel first.

Lawrence: A business angel is normally a wealthy individual who has made his money already through business and would like to continue to dabble

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within an area of business that he enjoys, but not to come on full-time to run it. So, it has to be an area of business that he has interest in. That's the first thing. That business angel will not want complete control. He will only want maybe somewhere between ten and forty percent of a business, in exchange for the money that he puts in, called equity.

Michael: Okay.

Lawrence: The business angel himself is someone who will only read because he has seen perhaps 200 plans a year - a normal business angel if they're active looking for investment, will only read through the executive summary to begin with and hence you have to have a pretty tight and good executive summary, and then a maximum for the whole business plan of something like twenty pages.

Michael: Is the executive summary the very first part of the business plan, the first page?

Lawrence: The very first page of the business plan, probably it would last two pages of that length, and within that you've got to put as much information as you can in a readable way that tells the business angel what the option that he has, who you are, and why you would be successful at running that business, how much profit he's likely to get out of it, and how much you're actually looking for in terms of investment for that opportunity. And, it needs to sound attractive, and it needs to have some style about it so that an ordinary reader is actually interested enough to then scan through the rest of the plan and contact you if he's interested.

Michael: Answer this if you can, you talk to these angels all the time, and you've probably got a good idea of the psychology. Is an angel interested in getting into the business because you never really lose the love for business, but he doesn't want the responsibility? Or is he looking for just a way to invest his money which would get a higher return than say real estate or some other investment? Or is it a combination of both?

Lawrence: Very good question. He has to have an interest in it. He's investing his money because he does want to continue his business interest. If you think about it, he could get quite good rates of return by investing in the stock market with stocks and share, and that would be a very quantifiable risk. He could choose more risk if he wanted to, but he would have no direct involvement in it.

Now, a business angel is not like that. He wants to have something that he's interested in, but he's not a fool. He's made his money already, and it has to return good rates of return.

Michael: How many business angels are out there? First of all, let me ask you this – how long have you been doing this Company Partners dealing with business angels? How many years?

Lawrence: This is our third year that we've gone into it, and we've learned an awful lot over that time. We've probably seen, I guess, 800 business plans a year during that time. So, we've begun to realize, I think, what it is that makes a successful plan, and what doesn't.

One of the things that has come out straight away is that not every business, for instance, is suitable for a business angle. If you've got a one-off business to perhaps just open a shop or a store, I guess, in your local town, and you're perfectly happy to live above that store, and you just want a good living, well, that's great, and there's nothing work with that. But, it's not something that a business angel would necessarily be interested in investing in.

Michael: Is that because a business angel wants active involvement to grow the business to grow his investment as well?

Lawrence: Not necessarily. He wants something back that will grow more than just providing someone with a lifestyle, and the term that's used a lot in the industry is lifestyle. They will not invest in a lifestyle business where someone who is just setting up something that would provide a regular income to them. What they want is something a little bit more exciting than that. Perhaps if you were sitting up a chain of stores, that would be different. They'd be interested in that because he knows that you are going to want to try and do something with that chain, maybe sell it to a large chain. He's got to have an exit strategy, and that's another important part of the plan. How are you going to give your investors a way out with their money and some profit in say three or five years time?

Michael: And, that's critical having it in the business plan?

Lawrence: Absolutely important and has to be in the executive summary. How are you going to give those business angels an exit from that opportunity? Because they don't want to be there for the rest of their lives. They want to move onto something else.

Michael: How much involvement have you seen the angels interact with? So, let's say they're investing forty percent capital into the business. How much direct involvement are you going to have with this investor?

Lawrence: In terms of investor wanting to control or have an input into the business?

Michael: Yes, that's correct.

Lawrence: They certainly will want an input to the business, and ideally they would have some skills they could bring to that business. So, you might want them to have that input. They wouldn't give you the money in exchange for thirty percent equity, for example, and then just wait for a letter to pop through the post telling how their investment is doing. That's not how they would work. They would want some involvement, but they wouldn't, as I say, want to control it.

Michael: Okay, so, we've covered some ideas on a business plan specifically for angel investors, and then we also have a different type of business plan for what venture capitalists?

Lawrence: Well, venture capitalists are interested in a much more extensive plans. In terms of the size it, we're talking maybe about fifty pages here, and what tends to happen with business angels, it happens in small increments. With venture capitalists, it happens much more in one go. So, with the business angels, they would have looked at your executive summary. They would have scanned through the rest of the plan. They'd have rung you up. They'd have wanted to meet with you to find out what sort of person you are. You would be able to discuss it a little bit more detail with them. They'd go away and think about. It would happen in increments.

With venture capitalists, they tend to like to see everything in one go because they are normally organizations, much larger organizations. They're not normally individuals, and they are investing more money, perhaps two million dollars, five million dollars, where as the business angels are looking for somewhere around \$100,000 up to two million dollars, but no more. So, venture capitalists are investing more. They're looking for a larger plan, more of the detail, and they will take bigger steps all the way through.

Michael: Okay, does your service assist – let's say I have a business and then you find me a match with an angel who likes my business idea, and they want to provide funding for me. Now, let's say I meet with them. Are you involved in representing me, helping me, make sure that all

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the agreement is sealed and we're both protected? What services does Company Partners provide that help me, the business owner, and the other side, the angel investor? How do we know that the people who you introduce are credible? Is there any kind of screening process?

Lawrence: Here's something called due diligence, really, that each individual has to do because it wouldn't be right for Company Partners to take the responsibility for a whole business, and maybe two million dollars and say that, "This person is absolutely genuine. He would never let you down." That is down to you to do the due diligence on that.

Michael: Okay.

Lawrence: What we will do is that we will facilitate things. We will make sure that the people can come together and have sensible discussions. We will be there whenever we're asked to in order to smooth it along, but we always say to our clients they have the ultimate responsibility for their own business.

Michael: That's fair.

Lawrence: So, they must check that the money they're getting is exactly as they want it with the terms and conditions they can accept, and the people who are putting the money into the business must do their own due diligence of checking out that business and the people behind it to reassure themselves that they're investing in something that they feel comfortable with.

Michael: With venture capital, generally, what percentage do the venture capital organizations take in a business?

Lawrence: There's two types of equity of shares that happen here, and two types of fees. One is the fees that you need to pay for if you're the intermediaries, the facilitators, and then there's the shares and the fees that you pay to the people who actually invest the money, the business angels themselves.

Michael: Okay, so the venture capitalist has a whole package. They'll help get all the legal details and all that done, and they charge you for that.

Lawrence: That's exactly it. Ourselves and other intermediaries and venture capitalists will charge a fee and it's normally somewhere around about five percent of the money raised, and the way that they do that is a round number. If they're raising say 100k, they will actually raise 105k.

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So, they have 5k for their fee, and the business that needs the 100k, gets 100k.

Michael: Now, that fee is only paid contingent if they raise the money, and then you get the money?

Lawrence: Ah, yes, that fee is. That fee is only on success, but most of them will also, in fact almost all of them charge an engagement fee.

Michael: Tell me about that.

Lawrence: That's something that people find harder to accept, I must admit, and in any other industry, you certainly wouldn't pay anything up front with no guarantee of success, but at least in the UK that is how it is. Business angel networks and venture capitalists will often charge an engagement fee with no guarantee of success because they have so many plans come through that it first of all does help their income, of course, to have a small engagement fee upfront, but also it separates very quickly those people who have a real business idea and those that are only dreaming.

Michael: I agree. That's great way to qualify.

Lawrence: Without that, otherwise people would be perfectly happy for them to go off and do a lot of work and try to find funding, and if it worked out, fine. If it doesn't, they'll go off somewhere else. And, you tend to find that they don't shift on that.

Michael: Let's go over some of the pros and cons of the different ways of being funded. I know you've touched on it a little bit. Is there anymore to add on to that?

Lawrence: Well, if you think back to where we started off from in terms of bank loans, let's just start from there, but let me go even further back.

Michael: Go ahead.

Lawrence: If you've got the ability to start up a business through borrowing money from friends or family, that's the first thing you should do because the rate of interest that you will have to pay then is going to be low and you're going to get the money fairly quickly, and there's no intermediaries to pay. When you start a business, that should be your first port of call.

If that doesn't work, then the next best thing is to get a bank loan because with a bank loan you can again get the funding very quickly providing that you've got the collateral and you're paying back and a known rate, and again, that rate, if your business is successful, will be lower than you would pay in terms of giving away shares of to a business angel.

Michael: Okay.

Lawrence: If your business is successful.

Michael: And, you keep all the control.

Lawrence: You keep all the control. The downside is of course, that if your business isn't successful, you still have the loan outstanding that you have to pay back to the bank. So, that's the downside. With business angels, if your business is not a success, they lose their money.

Michael: The angel loses their money.

Lawrence: The angel loses their money. So, you don't owe them anything. You, of course, may have lost some money yourself, but you don't have any outstanding loans that you have to pay back.

Michael: So, that's good. It's not like they just give the money and walk away. They have a direct interest in that business and the success of that business.

Lawrence: It must be successful, and that's why they wouldn't just ignore it. They would want to help you make that business a success because unless it's a success, not only won't they get their profits, they won't even get back the money that they've given you.

Michael: Tell me a success story. Just think back of your clients and matching a business. Is there a success story you can share with me?

Lawrence: Sure, one very interesting one which at first glance you wouldn't think would work especially here in the UK is around a menswear store where they are selling mainly designer beachwear, but it's looking like a great success. We've got business angels that are ready to invest in it. It has a couple stores already opened, and it's an area that banks couldn't approach because the person involved didn't have enough collateral. It was an area that most large business angel networks couldn't deal with because the idea of a designer beachwear outfit in

the UK just doesn't seem to make sense because we've got a reputation for it raining and being cloudy a lot.

Michael: Right.

Lawrence: But, it was addressing the top level earners in the UK who were going on holiday two or three times a year, and of course, they were going on holiday to sunnier climates. And, recognizing that, some business angels thought it would be a good idea. They did their due diligence. They found there was another company already set up doing exactly that in France that has been a great success, and this company now looks like mimicking that success, an area that conventional means of funding probably wouldn't have been right for.

Michael: Okay, any other successes you want to share?

Lawrence: There's a company that's not far from it, a little bit of south in England that is making granite work tops for kitchens, which again is entirely different area of business, but they bring in granite work tops in a raw state from China, would you believe?

Michael: Yes.

Lawrence: And, they machined them and finished them, and sell them onto large kitchen manufacturers at a very healthy profit. That is a complete factory that has been set up in order to do that. And, in that case, we didn't go through a business angel organization. We had an investing member of Company Partners that decided that they would invest directly in that. That was one of the things we hadn't talked about is that apart from people on the site that have opportunities that they want to investment in, we also have people who have money and is looking for opportunities to put the funds in.

Michael: Right, so you would know who is looking for opportunities, and of course, you and your friends and close associates, if there's something that comes your way that looks promising, you guys are going to get that first.

Lawrence: Yes.

Michael: I don't blame you.

Lawrence: And, also, we do have people with opportunities that don't actually post their details on the site that come to us first and directly to see if we have a match for them. Otherwise, the cheapest route for them is

simply to post their details on the site, and hope that an investor spots their details and then contacts them. That, of course, is a very cheap way of doing it because there's hardly any intermediary fees to pay.

Michael: Right, on my website, HardtoFindSeminars.com, I've got another recording with a lady, and she talks about how much money there is out there. From your experience in the UK, how much money is there out there looking to be invested in good opportunities?

Lawrence: Well, it depends on who you talk to. If you talk to the business angel network and the venture capitalists, they will say that there's lots of money out there, but there's not enough really good opportunity. I've seen figures of somewhere around about 200 million Pounds ready to be invested, but they can't find all of the good opportunities that they would like to invest that money in. And, they're not going to invest it just for the sake of doing so. It has to be a viable opportunity of course.

Michael: Right, out of a hundred business plans that you look at, how many would you say are quality opportunities?

Lawrence: If I look at a hundred business plans, I may see five that are quality opportunities, and of those, probably one of them would be something that would ultimately get funded.

Michael: Now, tell me, what would you tell those 95 other business plans what they can do to get in that one percent?

Lawrence: The first thing is that most of them have very basic mistakes with their business plans – very, very basic mistakes. Simple things that range from typos to bad formatting to just looking ugly, and the problem is that that is your marketing document. When people look at that that is representing you, and if the very first word on it is misspelled or the grammar is wrong, I'm sorry to say people don't think that you are very astute or are going to look after their business with the degree of care that they would like if you can't even write the business plan in a form that is readable.

Michael: So, out of those 95, would you say-

Lawrence: Half of them.

Michael: - half of them are due to that simple problem.

Lawrence: Simple lack of thought going into it, perhaps not realizing how important it is, and quite honestly, people all down the track are

thinking, “Well, I have such a good idea” or such a good product or such a good invention “that should be enough in itself.” They should be able to see through things like that and not worry about it, but unfortunately it’s like going to the bank manager wearing your gardening clothes or wearing your worse possible clothes. You wouldn’t do that. You would wear decent clothes so that they think that you are a respectable person that can look after the money.

Michael: That’s right. That’s your first impression, and it’s sloppy and there’s no excuse for it. Okay, that’s half of those 95. Now, what about the other half?

Lawrence: Let’s say half of the other half 25 percent have not followed the structure of information in there which is needed for a business plan to be understood or to make it interesting to the reader. They haven’t got what the opportunity is in a succinct way. They haven’t got what the exit strategy is at the bottom. They haven’t said what the revenue flow is going to be. They haven’t got the details in there that is needed. Even if it’s in theory, a good opportunity, they haven’t got the detail in there that makes the plan complete, and unfortunately, with so little time and so many plans, you won’t get a business angel, ring them up and saying, “Could you tell me a little bit more about this because you didn’t include it?” They will just put that on the side and go on to the next plan.

Michael: Okay.

Lawrence: Now, sometimes, we at Company Partners when we get those, we can actually spot that there is a good idea there or a good opportunity and they have just missed out some vital parts, and we can get in touch with them and we can say, “Why don’t you give us the good parts?” That does work.

Michael: All right, now how about the other 25 percent?

Lawrence: The other remaining part are just plans that will never work because they have been written with the wrong assumptions or it’s already been done and this person doesn’t realize it, or they are just very naïve thoughts.

Michael: Right.

Lawrence: And, they will just never work. So, 25 percent of that 100 would never work under any circumstance.

Michael: Just poor ideas?

Lawrence: Just poor ideas. There's nothing there that will make it a viable business.

Michael: Well, very good. At least 50 percent of those, there is some hope for those just based on the aesthetics and the look of the business plan, and it would be a shame to let funding go by the wayside because of something so simple to correct.

Lawrence: That's right, and the other thing that's missing out of those normally is the marketing or the selling or the implementation of it. Having a great idea is not enough. It's how you implement that great idea that makes all the difference, and that's obviously come back to what you, yourself, do Michael which is getting people to understand the sales and the marketing aspects. That section, sales and marketing, is the section that is most poorly done.

Michael: Right, that's true. What are business angels looking for in a business?

Lawrence: They're looking for something that is going to grow at a much faster rate by them putting money in than if it was just to be left by itself. They're looking for good incremental growth from their money. They're looking for a management team most importantly that they can have confidence in. If it's a great idea, but a poor management team, you know that they will not invest in it. It has to be a good management team, and if necessary, you have to pull in the people to make up the deficit that's there. You're never going to get anywhere if you've never done it before. No one will invest in you, if you've never run a restaurant, but you want to open a restaurant. No one will invest in you, if you want to run a hotel, but you've never run a hotel in your life and you haven't got a partner that has run a hotel. You have to have some experience there as well.

Michael: So, having a management team and the description of the management team is part of the business plan, is that correct?

Lawrence: Absolutely part of the business plan, and again a synopsis of that should be in the executive summary as well.

Michael: So, how much detail should you go into the actual management team for the potential investor in the actual business plan?

Lawrence: Well, in the business plan itself, you can in the appendices at the back include CVs. In the body of the plan, you would have a paragraph

explaining the relevance of that management team member to the business. So, if for instance, it is starting up a chain of garages, you would have, “The founder has spent twenty years running a garage in Detroit, and the partner of that founder has set up two other businesses that have been successful in changing exhaust.” Something that is relevant to the plan. It doesn’t need to be extensive. It doesn’t need to be a lot of detail, but something that when you read it, you think, “Yeah, these guys know what they’re doing. They can do it.”

Michael: How does business angels and what you do different from here in the United States you have business brokers? Do you have brokers there in the UK?

Lawrence: I think we would call them business angel networks where they act like brokers or intermediaries in getting the business angels themselves in touch with the opportunity.

Michael: So, here in the US the broker has to go through a licensing process similar to a real estate agent. Is it different in the UK?

Lawrence: It can be. There’s two types of brokers, if you like, or intermediaries – those that are more accountancy based. They normally come from accountant organizations and they would be governed by the Financial Services Association, and there are those that come from more of a business background, and generally they would not be governed by any financial organization and wouldn’t have any rules of conduct like that. But, they would be more trusted advisors and consultants. So, it isn’t quite the same regime, I think, not the same regulations as in the US.

Michael: Okay, so are you only operating there in the UK? Or are you operating internationally?

Lawrence: Well, at the moment, the investors we’ve got are mainly in the UK and so they like to have UK investment. They want to be close to where they put their funds so they can go along and visit it and meet the people.

Michael: And, that’s critical?

Lawrence: I think that’s fairly important, and probably in the states as well, you would look for local business angels rather than someone in the other part of the country because why would they invest in a place in San

Diego if they're across in Florida? There's plenty of opportunities probably in Florida which is closer for them to visit, and vice versa.

Michael: Can you give me an estimate of how many dollars or how many pounds they have to invest in businesses in that area?

Lawrence: Within Company Partners themselves, the investors we have there have probably in the range of twenty million pounds to invest, but each individual investor does range from somewhere around about 50,000 up to 150,000 - 250,000 on that order. You won't get individuals who have say 700,000 or a million pounds to invest. They just don't do that. If they did have that much money, they would want to spread it across more businesses.

Michael: Right, do you know of angel investors who are investing in multiple business in having some involvement in several businesses rather than one as a way to earn income and stay interested in different business matters?

Lawrence: I would say most of them.

Michael: Most of them are not only looking for one business. They're looking for opportunities are multiple, right?

Lawrence: Yes, absolutely. Most of them would do that. The very small amounts even smaller than 50k maybe 20-30k would be invested by an individual with just that amount to spend, but above that, you generally find most of business angels are spreading their risk, spreading their interest. They're doing it in an area that they understand and they know, but, certainly not just one but many times.

Michael: Have you ever seen a business that's listed with you who needs growth and had an angel that provided just his marketing or whatever it is expertise was within the industry without money but for shares of the company without actually money changing hands?

Lawrence: Yes, yes that's been done. We've got a separate part of the website at CompanyPartners.com which actually is there specifically to bring people together with certain expertise or knowledge or to create management teams where no money is exchanging hands, but people are going into a business sometimes in exchange for shares, sometimes for a share of profits when the business is a success to bring their expertise into that, but they're not actually putting any funding in. They're just bringing their expertise into the business.

Michael: I see. Let's talk a little bit about Company Partners and some of the services you provide and what it's going to cost someone. Let's say that I am a business owner and I'm looking for growth, and I want to potentially exploit your angel investors. What do I do first? How much is it going to cost me? And what's it going to get me?

Lawrence: If you go to the website www.companypartners.com, all one word, what you'll find is that there's four main sections to that. One is the area where, as I mentioned just now, you can find business partners. Another area is finding investors. Another area is for those investors who have money looking to invest, and there's a fourth area where you can get professional advice like we talked about on the business plans directly from Company Partners.

The way it works is that you register, first of all, and that's free. You can put your profile on that website again for free, and that's there for everyone to find. There's a search engine there, and depending on various keywords, people can find your opportunity or if you're an investor, they can find you because you're interested in certain areas.

Michael: So, whether I'm an investor or a business with an idea, I can register free.

Lawrence: That's right. You register for free. You put your profile up. Now, where we make our money because we have to earn some money otherwise the website just wouldn't exist is that at the point when you have found someone, and you want to contact them, then we say, "Aha, would you mind joining as a full member please?"

Michael: Okay.

Lawrence: And, that is quite a small amount in terms of business. It's in UK terms, nine pounds, eighty pence a month.

Michael: And, how much is that in US dollars?

Lawrence: I guess it's something like \$17 US a month.

Michael: Seventeen dollars a month, that's it?

Lawrence: One-seven.

Michael: Wow.

Lawrence: So, it is an incredibly cheap way, for instance, of finding funding otherwise you're talking about many thousands of dollars to find funding. The downside, of course, is that it is quite variable. Just like a real dating site, you get people going in. You get people coming out. And, so it's quite variable, and so you may have to be there for a while.

I have to be honest. You may never get anyone who's interested in funding you. So, the alternative to that is to contact us, and there's a way of contacting us on the website and sending us your business plan, and we will do it more personally. We will try and find a business angel for you or we'll try to find an opportunity if you are a business angel, but then the fees do become larger because we start charging the five percent of the money raised just like everyone else does.

Michael: What's the ratio for business listed and angels listed?

Lawrence: We haven't actually checked all of that out because it's growing all the time, but I would guess that in terms of businesses and opportunities listed there, it's probably around eighty percent businesses and twenty percent people looking at it for opportunities.

Michael: Okay.

Lawrence: But, remembering that these people are looking for multiple opportunities, and I'm pretty convinced if a good opportunity goes on there, it gets a lot of attention. What does happen is that those that aren't good just never hear anything, and those that are good, get loads of attention.

Michael: If I had an opportunity, and I go in and sign up, what kind of information do I get to submit when I sign up?

Lawrence: Well, you get to put in your own background or what it is that you are looking for in terms of an opportunity if you're an investor, or if you're a business you can put in why it is that you're looking for funding because you have a chance to do that. It's free text. You just type it in as you would in a word document. And, there's also some opportunity to put in market sectors that you are interested in. There's some key words. It all helps the search engine to identify you and to find things that you're searching. A lot of it is just free text that you can put in and describe the opportunity and the investment that you're looking for.

Michael: Okay, very good. Let's say that I want to contact you. I'm not getting any action on the site, and I want a more personal involvement with you. You have contacts that aren't on the site, and you're able to help

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me raise – let’s say you helped me raise \$500,000. I’m going to pay you a five percent fee on whatever you raise, just like a venture capitalist.

Lawrence: We are actually more flexible than most on that because we are willing to discuss having shares in the company for the service that we do instead of cash because we’re there for the long term, and we’re looking further ahead, and I think we can be more flexible than most.

Michael: So, paying a five percent fee and you being more flexible, but is that standard? When you’re raising money for capital, obviously the person who raises it should be compensated for finding the money. Wouldn’t you agree?

Lawrence: Yes, and that’s absolutely standard. Having said that, it can vary. You may find some places that will do it for four percent. Some may charge six percent, but five percent is an average for doing that, and I don’t think that’s unreasonable.

Michael: What other fees if I want that personal involvement from your consulting side am I going to pay? Let’s say you want to rework and redevelop my business plan. That’s going to have to come first before you raise my money, right?

Lawrence: That’s right. We tend to do that in quite a simple way. We don’t write the plan for you. There is a danger that there are services out there that say they will write the plan for you, and no one should do that. It should be your plan written by you, but what we do is we take your plan and we examine it and we suggest things and it’s a process of alteration. We send those back to you. You do some alterations, send it to us. That can happen quite quickly now a days with email exchange.

Michael: Sure.

Lawrence: And, we do that in terms of iteration, and because it’s being done by email, it’s actually a very cost effective to do that, and we can do all of that for maybe – we have a standard package which is ninety pounds, in dollars I guess 150 dollars.

Michael: Okay.

Lawrence: It can be anything in terms of our involvement, how much involvement you want. We take telephone calls everyday from people for nothing just with ideas that they have, and we give them some

advice with the idea that it is all marketing for us and help and advice for them. And, we do that for nothing.

Michael: You know what? I would have to say that is extremely fair and reasonable, because there are companies in the US that charge five and ten thousand dollars just to do business plans.

Lawrence: Yes, I know, and it's often not needed because, as I say, most people are not going to read beyond that executive summary. So, spending five thousand dollars on getting on a fifty page plan is really just padding. It's not necessary.

Michael: So, the business plan has to be in shape, executive summary is critical, before you start to raise capital. And, let's say you raise the capital for me. You raise \$500,000 for me. I'm going to pay you five percent. At what point, once I have the money or how does that work?

Lawrence: Once you have the money, once the money is in your bank, what happens because remember the way it's done is that if you're raising 500k, what will actually be raised is 500k plus five percent, and so just as the 500k goes into your back, the five percent comes across to the intermediary.

Michael: Then, it happens like in the closing.

Lawrence: Yes, at the same time.

Michael: But, before that documentation and the agreements and the contracts between the funder and the fundee have to be all taken care of, correct?

Lawrence: Yes, yes.

Michael: Can you assist in providing maybe an accountant to ride along with the deal until it closes and have maybe his fee come out of the close also?

Lawrence: Yes, we have agreements with accountants and also with lawyers as you need both to do this, and they will tend to want to charge of course upfront. That's something that you ought to be aware of. They will not be happy with their fees coming out dependent upon the success of the deal, and it's nothing to do with us. This is paid directly from the person raising the fund directly to the lawyer.

Michael: Okay, so, there's going to be fees for the lawyer that have to be paid upfront and the same thing with the accountant.

Lawrence: Yes, that's right. That's just the way they operate. They're like banks. They don't take a risk. They're not interested in taking a risk on it being a success. They just want to do the work and to get their fees.

Michael: Right. Art Hamel in the course we teach, he suggested there's so many lawyers – there's more lawyers right now in law school than there are practicing right now, and I'm sure with a little bit of effort you can pick up the phone and find some attorneys and accountants who would be willing to ride along with you as a contingency somewhat.

Lawrence: It could well be. In the UK, it tends to be a little bit more regimented than that, but I think one of the advantages that the US is that it has got a more entrepreneurial spirit, and people do recognize that as being a good thing. Where as over here, everyone's so worried about failure and making mistakes, that very often the entrepreneurial spirit does get lost at time.

Michael: How does the UK business world look at the United States and view the United States? In a positive light or negative? What's the feeling right now?

Lawrence: Very positive. I think the admiration is, as I say, for the entrepreneurial nature of it, and very often, we get leading business people, well, I guess people you might have heard of, Richard Branson.

Michael: Sure.

Lawrence: And others, who will lecture us and say, "You must stop crucifying people who fail with their first business because that's all part of a learning curve." And, in the states, there is the impression that people have been allowed to learn and to gain experience, and eventually they make a success, where over here as soon as you failed at anything whether it's your fault or not, you are shunned almost. That's something that's actually changing. There is a lot of effort going into change that to make it much more entrepreneurial and to take risks and again experience from that.

Michael: So, right there with Company Partners, it says you've got over a thousand people looking for businesses just likes ours.

Lawrence: Yes.

Michael: That's wonderful. Well, Lawrence, can you give me the characteristics of someone who would be most likely to succeed with your service?

Lawrence: Yes, certainly. Over the years, what we have found is that there is a definite type of person that is successful at raising money, and that is someone who has put the thought and attention into the business plan, obviously has a good idea, but also most important of all is receptive to ideas because the people that don't succeed, and we get phone calls from them all the time, are those that will not listen. They will not take advice. They have an idea, and no one can tell them anything different. Those that are successful not only have the idea, but are willing to learn and to listen.

Believe me, it is really refreshing when you get someone on the other end of the phone who actually doesn't argue with you. Quite often, you're trying to help someone and instead of saying, "Great idea. Thank you for helping me with that advice." They will argue with you as to why what you're telling them is wrong, and they never succeed.

Michael: I've heard that mirrored by Arthur Hamel, the business buying expert. He tells me this all the time in confidence that the guy's bought over 200 businesses and that most of them over five million, and the students he works with, he says most of them, the first business they find they fall in love with it, and they will not listen to his advice. And, most people aren't really willing to do the work.

Lawrence: Yes, the same. That's often something to do with personality rather than business acumen.

Michael: This has been a great interview. I think you've got a great thing going.

Lawrence: Thank you. We've been working hard at it, and there's changes that we want to make all the time because it just never stops I guess as you find. I learn something new everyday, and there just isn't enough time in that day to do all the changes that you would like to do.

Michael: It's never ending. Well, just persistence, and if you're willing to do work, you'll come out on top.

Lawrence: Yes, well, let's keep in touch Michael.

Michael: I will. Thanks for your time, bye.

Lawrence: Bye for now.

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We've covered a lot of information in this interview with Lawrence and CompanyPartners.com. If you want more information or would like a personal introduction to Lawrence, you may visit their website at CompanyPartners.com, and if you have any questions about the people we interview, please contact Michael@MichaelSenoff.com. If you're interested in learning how to buy a business through our Art Hamel System Training please email me as well or call 858-274-7851.

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