Arthur Hamel

Business Seminars

Interview Series

Learn How To Buy and Own A Multi-Million Dollar Business With No Money, Credit, Or Prior Business Experience!

Michael Senoff Interviews Arthur Hamel

Michael Senoff's HardToFindSeminars.com

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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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"Learn How To Buy and Own A Multi-Million Dollar Business With No Money, Credit, Or Prior Business Experience!"

Learn ...

·How to value a business
· The truth about government funding.
· How to buy a business with no money of your own?
· How to value a business using a third grade math formula.
· How to determine if there are unpaid bills before you buy.
· How to value the "public good will worth" of a business before you buy.
· How do you keep employees from jumping ship after the sale.
· Why everything you have ever been told about business is a big lie.
· Learn Art's best technique for finding profitable businesses.
· Why never to trust a business brokers?
· How to get the banks to work with you as a last resort
· How to get 100% financing for existing businesses?
· The truth about business plans.
· How to find good managers/directors to run the business for you?
· How much involvement you should have in your new businesses
·
AND MORE

ART: In my experience with the companies I've owned, we had a hundred and some thousand people that went to our seminars in a fifteen-year period, plus all the tens of thousands of peoples I've worked with outside of those areas. So, this is not based on some fantasy I have or something I read in a book. This is based on actual experience.

What you're going to find is the easiest thing to do is use investors. In the first 25 years I was in business, I got owner financing. I got bank financing. I had vendor financing. I did all sorts of things. But, what happened was, I didn't realize there was investor financing. The only reason I got into investor financing and got investors to invest in our companies, about 25 years ago, we decided to go to Mexico. Nobody was going to finance anything in Mexico. Even today, they won't. So, I had to go back to investors that we had and talk to them. I didn't even realize that they would do something like this. So, I just sort of lucked into this. The last 25 years, we have never gone to the bank other for a line of credit. We don't ask for owner finance. We pay 100 percent cash on the deal which means that the seller gives us a better price than a small cash price. We don't have to qualify. We don't have to give our financial statements. We don't have to do anything. In fact, the average seller will tell you one thing, if you give me all cash, I don't care who you are or what you are – in fact, if you have a pet rock that you want to put into manage it, that's fine with me as long as you give me all cash.

So, what happens is if you bring an investor in as opposed to all the other types of financing, it's a lot easier way to go. The other thing is with an investor most of them will ride with you for four or five years. In other words, if you show them what their share of the profits going to be for four or five years, many of these investors do not ask you to pay a return every month or every quarter which means you have all the cash available in the business for a four or five year period to expand it. It's really a fantastic way to go, but I want to tell you for the first 25 years, it never dawned on me because I didn't know how to find investors.

MICHAEL: Here's a question, Art, from Al Stauffer of West Des Moines, Iowa. "Given the value of business includes the existing customer base, what advice would you give on working collaboratively with the existing owner to affectively transition those business relationships to the new owner? And, there's quite a bit of information or propaganda on obtaining business fund from government sources. Are the government programs truly viable sources for start-up and expansion capital or is it just a bunch of hype?"

ART: First of all, when you're talking about working with customer lists or customers with the seller, we usually start working with the seller naturally before the close. The seller's normally also going to stay around for a month, two months, three months afterwards to help you with the transition, but again, we don't wait until the day we close. We start doing it ahead of time.

Now, the seller's not going to allow you to do that too many days ahead of time because they don't want the word out too much before the close. The key thing is I, in all the years of doing this, I've never had any trouble with a seller transferring this over.

Now, the other thing that happens is a lot of times when we're buying a company, the seller is either staying to manage it or staying to run it, and the people in the area really do not know that there's been a change in ownership. Now, sometimes the people that are supplying, but a lot of times we're talking about a corporation and the corporation name is "ABC Corporation". The new corporation is still going to be "ABC Corporation" so, it's not something that in the 50 years I've been in business that we've really had trouble with, but it's something to consider.

MICHAEL: Do you work across into the contract to anything that keeps this smooth transition?

ART: Well, it's such a smooth transition if there's something that the seller does not bring up that causes you to lose that customer or the customer is endanger of leaving, and find out after you take over, there's always a paragraph in there that covers that, and the seller also realizes that they're going to have to give part of the money back if that is the case.

See, the thing we have to keep in mind, and I found this in the early years of teaching and of being in business, most people have a lot of thoughts about the negative things in business. They have a – I used to ask people, "Make a list of 50 different things that are going to keep you from succeeding in business", and what happens is people write down all the things they've heard from their mother, their father, all the scary stories out there, and I tell them to take the list of 50, put them in a drawer or safe deposit box, and then after you buy the business, take the list out. In all the years I was teaching which 100 and some thousand people, I told every one of them, "If any one of you run into one of these things that come up that you wrote on that list, come back to me because none of them exist. You've all held back and you have not succeeded in business because of things that aren't true", and incidentally the things that aren't true really relate to people that have trouble in business. The people that are successful in business, don't go out and complain. So, all you hear about is the feedback from the different people that have screwed up some.

The other thing you had asked me about, you asked government financing. Well, you have SBA loans – Small Business Administration loans which are guaranteed which come and go. Those are usually up to a million dollars. We don't work on businesses that small, but I have assisted people over the years with this, and if you go that way, you're going to find that it's actually easier to go to a bank and get the bank to give you a loan. You go to the bank to try to get an SBA guaranteed loan. In other words, if the business thing you're doing makes sense, the bank will actually lend you the money on the same terms as you could get with government financing, but there's a lot of people out there that sell a lot of seminars based on showing you all these great techniques that you have for getting government financing. You ought to just forget about it because it's just a waste of time.

MICHAEL: You're saying business under a million, it is possible to get government financing, but there's so much red tape, it's easier to do it through a bank?

ART: Yeah, because what's going to happen is let's say you get a million dollars, the business itself should be enough security on that, but what happens is they're going to ask you to put your house up, your car, your kids, and everything else. It's a very tough way to go. If you want to check, just go to the government and ask them for their sheets that you have to fill out, what you have to perform to get that loan.

Again, unless you're buying a large donut shop, it's not worth going after. Those are not big businesses because the problem is they put you in a category of business. They're going to drive you nuts and turn your hair grey, because as I have always found, if you go after a business that nets over $250,000 a year, and they're easier to finance then the smaller ones, you're going to find that the manager of your company is going to call you and bug you all the time because he's going to be making enough money, but he just considers you a hindrance.

MICHAEL: Here's a question from Alan Watson – "How do you find out that the person selling the business does not have a similar business in a different location which allows him to doctor the books and stocks, et cetera to make the business they are selling look better?"

ART: I have run into that a couple of times, and I was thinking of one here in San Jose, California. There was a taxi company. The guy owned two taxi business, and I was only aware of one of them. First one in, there was one taxi company, and I noticed on one of them there was no labor. What he was doing was he was pumping all the labor costs into the other business which was showing a loss, and that business that was showing a profit which he was trying to sell there was no labor costs.

So, what you have to do is you have to be very careful. Now, the thing is when you go in and check books and go through all the due diligence that you normally go through with a good CPA or somebody else that's assisting you, you're going to find that during that 30 day period which is the normal due diligence period, all this stuff normally comes up.

Also, you're going to find as you ask the seller a lot of questions, the seller has a tendency after a while to start confessing. If you don't ask anything, you won't get any extra information, but if you continue to check and do your due diligence, almost all this stuff comes up.

MICHAEL: Okay, so in the research stage, if you're doing your job, you should be able to determine these kinds of things.

ART: Yeah, all the ones that I've run into have come up in the first couple of days. In other words, but unless you're very naïve, they're going to be very apparent to you when you start checking or talking, even when you start talking to the owner.

MICHAEL: Here's a question from Albert Franklin in Modesto, "Are there businesses that can be had for no money down?"

ART: Okay, first of all, when I was teaching classes, everybody accused me of teaching how to buy business with nothing down, there's no such thing. Now, can you finance a business 100 percent? Yes. Can you get a business with nothing down? No, because in all the years I've been doing this, I've never run into a seller that will let you in – I'm talking about not a dog, not a turnaround business, but a normal, good business. I haven't found any that will let you in with nothing down. It just doesn't exist, but if you find one that makes sense and it's large enough, you can finance it 100 percent or close to it, which is basically the same thing.

MICHAEL: Here's a question from Mike, "I have looked at buying a business many times. Many are selling a job not a business, requiring financing that I currently do have."

ART: What you have to realize when you're working with investors say as an example, the whole life changes because when you go in and you try to get owner financing say as an example, the owner's going to qualify you, the owner's going to ask for extra collateral on these things, all sorts of things. They're also going to look at you a lot differently.

Now, when you come in to buy a business, you have an investor or investors, you're basically not asking for financing. You're paying all cash. So, you don't have to go a bank. You don't have to through the seller. What you do is you have to talk to the investor, and all the investors – not all of them, but say 99 percent of the investors that I work with – are business owners. So, they're not using ratios. They're not banker mentalities. It boils down to one thing. If they thing that you're doing makes sense, and if you and the investor get along, you like each other, you're going to find you get the money.

The most difficult thing is getting off your duff to go out and find a business, a good one that makes sense. That's the most time consuming and the most difficult thing.

MICHAEL: Here's another question – there's a lot of talk out there that there's an average value of a business. Is it 2.3 times the net revenue for some or others? Or is it just one year's annual revenue net? What is the formula or is there one?

ART: Okay, the one thing you have to worry about is when you get involved with people that want to use annual figures because all the times they're trying to use annual sales not nets, and don't ever get trapped into buying a business based on the amount of sales they have because it could be doing a couple million dollars a year and not make any money. Why would you want to buy something like that?

What you have to do is you have to get it back to net profit or EBITDA or whatever you want to call it. I don't want to get involved in what that means, but what is the cash flow of the business? And, what you're going to find is the multiples, the magic multiples that you have against net profit change. In other words, you'll find a business that's selling for say 300,000, a smaller one, and that one may be one or two times net. You get up over a million; you may find the same manufacturing business will go for four to five times net. So, what you have to do is you have to get out there to get the category you're going to go after, and then start doing your homework to find out what the market values are within that range because it varies by size. It varies by type – it could be manufacturing, distributorship, or a retail business. So, there's all different multiples, and what you have to do is find out what the average category, but once you get out there and start looking at a few of them, it's going to become apparent to you what the going rate is for that business.

MICHAEL: Where can you find those values?

ART: There are books that are put out by business broker associations. So, if you know a business broker, you can ask them to look at their catalogue, but those are mostly gross multipliers are opposed to net.

What you do is you go out and find businesses that are for sale, and basically you use that as a guide. In other words, we just looked at ten businesses for sale. We just experienced five businesses that have sold. We now are going to have a range of what they sell for, and you're going to find they're pretty much in the same category.

Now, if you find other ones that are trying to sell for larger multiples, I think you'll notice that they don't sell, and then eventually the seller will get to the point where he adjusts the price down to what the market is.

All the information is out there. It's not difficult to get. It's mainly going out and looking at categories because a multiple in California for a certain type of business might be different than it is in Akron, Ohio. So, find what it is for the area you're going into.

MICHAEL: "Dear Michael, hello again from Seoul, Korea. Here are my questions for Art." Here's three questions. Let's just take them one at a time. This is from Charles Jenkins. Number one – how do you determine if there are unpaid bills and/or not so goodwill in determining the fair purchase value of a business before making an offer.

ART: When we offer to buy business, there's two things you're going to find. Number one – the seller is not going to divulge and let you go involved in a lot of the information he has before you make an offer. So, what we're normally doing, 99.9 percent of the time, we go in and offer a letter of intent. In other words, I the buyer offer to buy your business for $500,000 with the following terms and conditions. It's a non-binding contract. I'm asking you to let me have 30 days to go through a due diligence period. At the end of that time, we'll sign a contract.

MICHAEL: Do you get any money down at all?

ART: Okay, on the due diligence, the broker of the seller would love to get down payment money on a due diligence contract, but it's not done.

MICHAEL: Is that what this? A due diligence and a letter of intent is the same thing?

ART: No, the letter of intent covers the due diligence period. So, what happens is we will put up a down payment when we get to the contract period which is what we're doing in that area.

MICHAEL: You have 30 days to explore.

ART: On the average of 30 – we have some that say, the owner or the broker doesn't provide us with very much information. We get two sheets of paper on a large business. We might have to ask for 60 because we're going to have to put together information that should have been provided for us by the broker or the seller. So, we're basically putting together a business plan. Hopefully, the broker or the seller will have put that together, but if we have to put it together, it will delay the close, but we usually are able to explain to the seller and or broker the reason for it.

MICHAEL: Do you find the business seller usually wants to hold back that stuff and you're usually required to push them for more information in that research phase?

ART: You know the simple thing, if you stay away from turnaround dogs and sleazy sellers, and your gut level will tell you that, if you buy a good business making a good profit, the seller is very glad to tell you exactly what he's doing. He's going to be bragging about it.

The only ones that hide it are the ones that they own a restaurant, and is going to tell you about the skim they have. These never exist, and other type things. But as soon as you run into somebody like that, what you should do is walk away. The average person is going to give you all the information. Not getting the information is the exception.

For those of you who worry about that, get away from the worry. Go out and look at a couple of businesses as if you're going to buy them and see what happens. What you're going to find is the average seller is a nice person to work with and is going to treat you very well because he or she who has the cash does the talking so, you're going to find them very willing to do that and very willing to give you all the information. Again, it's the exception that we're talking about right now. I don't run into it very often.

MICHAEL: Okay, here's another question from Charles Jenkins. "How do you keep any valuable employees in the company you buy from leaving to join a competitor when they learn the business is being sold to someone they might not know?"

ART: Okay, what happens is when you worry about employees leaving, we just management contracts, and your attorney can help you draw the thing up. Now, keep in mind, when you're doing this, be fair because what you're trying to do is keep the employee, and you're also trying to keep from getting hurt because what's going to happen is if you have an agreement with your employee and your employee decides to leave or do something wrong, you're going to find the contract you have with them when you go to court is going to be looked upon by the court as protecting the employee, not you. So, the employment contract or management contract whatever you want to call it, is basically in favor of the employee, but it makes them feel good. But, if you're going in, you may say, "I have three or four key employees. I better make sure they stay." Well, I have done that in the past, but I have not done that recently because I've gotten to the point where I realize that if I treat the employees well, they don't leave. I can't remember the last employee we had leave I mean anyone. We treat our people well. We give them above average wages. They get above average pay. We treat them very well, but again it's one of those things that you read about and people worry about that doesn't happen.

MICHAEL: So, let me ask you, I'm just confused. This management contract – are you suggesting is, I'm looking at buying your business, Art, and you've got key employees. Is this something that I get your employees to sign or you get them to sign? I don't the management-

ART: The buyer negotiates it with the employees of the seller.

MICHAEL: The employees after the business is sold or before.

ART: You're negotiating it before because if something comes up – you can't negotiate it afterwards because you can't tell how it's going to come out.

MICHAEL: I see, so you would ask the owner of the business to talk to the employees about this.

ART: Right, but only key employees and again, the seller always worry about one thing. They worry about the fact that the work's going to get out, the employees are all going to leave, your customers are going to drop you. So, you have to be very careful doing this. So, what you do is you set the thing up to talk to whoever the key employees are, who you think they are, and do it that way.

Now, we've had some cases also where we have signed or put together the management contract after we takeover, but that's dangerous.

MICHAEL: The owner of the business before he sells it would ask those key employees to sign this management contract.

ART: No, what would happen is the owner would set up a meeting between the buyer and the employees, and the buyer and employees would negotiate. It really has nothing to do with the seller.

MICHAEL: Okay, you just have to feel it out.

ART: Yes.

MICHAEL: Okay, here's another question, "Hi Michael, as I'm just putting up a business for sale site, this topic is of extreme interest to me. So, two things – one with all the financial scandals involving corporations and accounting firms, how can a buyer protect themselves and get to the truth when examining perspective businesses?"

ART: There is a standard check that all CPAs go through because what happens is you get in there, say you even make an offer or a letter of intent, you've already usually have three or four years of profit and loss, balance sheets, other information on the company. So, you're doing that type work and then after so many days or so many weeks, you sit down with the seller and you draw up a letter of intent. In other words, it's a skeleton of the price I'm paying, what the terms are, how long the owner will stay, maybe four or five things, and also spelling out the fact that we're going to go through a due diligence period. I'm going to be looking at the business. I'm going to be going through it in detail. I'm going to be around. The seller, "My god, it will scare the employees." "Fine, tell them an insurance investigator or something like that." But, they have all sorts of things that they say, but what you have to do is you just do your homework, but if you don't know what the homework is some time you're going to have to bring in a CPA, an accountant but usually a CPA, and usually you're doing it toward the end of the deal because you don't want to have that cost and have the deal falling apart.

But, once you bring the CPA in, they're going to be able to tell you what you should be looking for and then they're going to tell you what they're looking for when you go through the books.

MICHAEL: That question was from Dawn Broder. Okay, here's another question from Doug Graham, "Hi Michael, I'd like to ask Art what is his best technique for finding profitable but undervalued businesses."

ART: Okay, first of all you have to get this undervalued out of your head because you're going to find the return you get on the money you've invested and time you've invested and the investors invest, is going to be very good without going after underperforming businesses because if you see that, you're looking for dogs, and you're going to find in going after a dog or a turnaround or underperforming, you're going to find that even if you solve that problem and you get your picture in the paper, and the put you in "Inc" magazine, I'll make you a bet on the next three or four that you work on, you go bankrupt and you dump every one of the companies that you have.

It is less expensive and less worrisome and troublesome to go after good business. You don't want those.

MICHAEL: Here's a question from Grant Siegel, "Do you know of any good businesses brokers in the Midwest specifically Indiana?"

ART: He's talking about business brokers. I've been in this business for all these years and I've worked with a lot of business brokers, and the problem is trying to find a good business broker is almost an impossibility. I never in my life, had ever recommended a business broker. The reason for that is there's very few out there that are very good, and I do not want to get in the position of referring somebody and you get screwed on the deal, and then you come back and sue me because I gave it as a reference.

I have met so few out there that I consider legitimate or know what the hell they're doing, that I can't get a recommendation, but what happens is if you go out in the marketplace in Indiana and start to check on businesses that are for sale, you're going to find that most of them are going to be listed, the better ones, by brokers and is you go out and look at a couple of them, it's suddenly going to dawn on you after a couple of weeks who you're getting along with, who's going to give you the most assistance, and who is doing the best job.

One of the problems you have with business brokers, they try to qualify you financially or experience wise, and so what you have to do is you have to get in your head ways to get around that so they don't end up intimidating you.

MICHAEL: Can you give us an example of one or two ways to do that?

ART: Well, you know, I've been thinking about that and it suddenly dawned on me that when I go out to buy a business, there's two things that I have that's beneficial to me. Number one – I've been doing this for 50 years. I've owned many companies. So, when I go out, nobody's going to challenge me or nobody's going to say, "Well, what experience do you have?" They know or I can prove to them that I have experience.

The next thing is the money. I know I have access to the money. I either have the money or I could access it. I'm looking very positive. What you have to do when you go out there if you don't have any experience at all, you better get a couple of people on your team that looked it so that the broker and or seller is going to look favorably upon you.

Now, if you're paying all cash on the deal when you buy it, the seller's not going to look at you at all. Either is the broker. All they're going to do is look at you as a piece of meat. In other words, you're somebody who has X number of dollars to buy this business – all cash – and that's all they care about.

MICHAEL: That makes sense. Here's a question from Glen Gobel, "I need to know how to value a business. I am an osteopath and want to buy other practices. There's not much in the way of fixed assets, so it is goodwill et cetera. I also want to buy these with as little of my own money as possible. How do I get the banks to work with that idea?"

ART: Okay, let me work in reverse. With medical practices, you can get financing through the bank, but also with medical practices, it is easier – probably the easiest type area to get investors in because a lot of the investors are in the business or in the health field, and they're interested in putting more of their money in other practices or other businesses in that area.

When you go out to buy a business, you want to look at it from a returns standpoint. The average business, and I don't mean a little donut shop, but the larger businesses – I don't mean General Motors, I mean the ones sort of in the middle – usually have a return of 25-33 percent return on the money.

Now, what does that mean? That means if you're buying a manufacturing company and the thing is priced at four or five times net, that means you're getting 20-25 percent return. When you get into service businesses, instead of paying four or five, they're usually going for three times net. Now, keep in mind, it depends on the size of the business. So, you're going to find the same manufacturing business or distribution company may sell for one and a half to two to three times what a service business goes for. You're also go find on the low end, even with medical practices, that a lot of times they're being sold for one time the net.

So, what you're going to have to do is check the market in your area for the type business you're looking for, and try not to use averages because you'll end up fooling yourself. Go out and check the market. See what's available, what's selling, what has sold – use that as a guide or you're going to overpay seriously.

MICHAEL: Here's another question for Jason Seprick from Perth, Western Australia. "Hi Michael, I have a couple of questions for Art. Your original interview with him is one of the ones I enjoyed the most on hardtofindseminars.com. Number one – do you believe in buying businesses which fit into a buying cycle of the consumer? For example, a business that fits well with baby boomers right now or a biotech/vitamin business for the aging population?"

ART: Okay, now I have people I work with that go out and go after businesses that way. They go out and take categories that they think are hot today, or let's say I buy a business. The average business I buy nets between a million and two million dollars and have for the last couple of years. When I go out there, I'm looking for manufacturing with a product.

Now, sometimes we're getting into something where the product is hot and ready to go now, and other times it isn't. If you want to go out and target companies that are in those growth areas, that's fine also. It's just that it becomes a little more difficult and you're going to have to widen your scope because you may be in Indiana say, as an example, or Australia, and you may find that the business that fits what you're looking for is a long distance away.

Now, keep in mind, if you go after a large enough company, and let's say it's making 500,000 or a million dollars a year net profit, you're going to find that your management is going to be paid X number of hundreds of thousands, 150,000 dollars a year. That manager's not going to bother you.

So, can you manage it from a distance? Yes, in fact, that's what I had done for the last 25. I have not worked hands-on for any company. If you want to keep from getting grey and old before your time, consider not being a hands-on manager because one of the best things that happens is you don't have people bugging you all the time because you're not hands-on. There's a manager there that takes care of the problems, and the other things is if you decide you want to own more than one business, it's very difficult when you're running one of them yourself.

Once you pull away and don't run those businesses, you're going to find that you own multiple companies. You're going to have less stress than the average guy with the little donut shop. My experience with the companies I run – we have a hundred and some thousand people that went to our seminars in a 15 year period plus all the tens of thousands of people that I have worked with outside of those areas. So, this is not based on some fantasy I have or something that I read in a book. It is based on actual experience.

MICHAEL: Here is another question, "I know you're not really in the seminar business anymore, but can anyone who purchases your course through Michael contact you for advice, clarification, or would you rather the material speak for itself?"

ART: The material is going to have to speak for itself because I don't really want to get involved in that, and just take this other as an example. We have investors available that we can help with which we charge a fee for, but the thing we have to worry about I've talked to Michael about this, we have a lot of people that just want to talk. The problem is although I have the time and I love working with people and I do work with people that just want to talk, there's a lot of people out there that are time-wasters. So, I've talked to Michael about the fact that if somebody wants to come back to me and just rap and talk, they can do it for $150 an hour. If then decide to go ahead a buy a business and I help them with the financing, we'll refund all their money that they paid on the deal, but the key thing is, again, I found this out in the seminar business years ago, there an awful lot of people out there that don't want to do anything but just want to talk about it, and I'm getting too old for that.

MICHAEL: That's fair. Here's another question from Jeremy Wood, Freeport, Michigan, "Hello Michael. I'm excited to hear that you're doing another interview with Art Hamel, and can't wait to hear about. I've bought the course a few months ago, and I really liked it. I'm ready to get rolling again with buying real estate and or a business. Question for Art – what do you do as far as a business plan goes for the business you're buying? Do you take the information on what the company currently is doing and then add what you intend to do? Will lenders or various sources want to know very much about me the person buying the business?"

ART: Okay, the business plan – If you're lucky enough to find a broker or a seller that has put together a business plan which you can use to buy the company or get financing or whatever, you're going to be very lucky because a lot of times today, they only put together two or three sheets of paper, and then if you need financing or you need an investor, you're going to have put together a business plan which is going to take you a couple of a weeks or a few weeks. You either do it yourself or you're going to have to hire somebody for five or ten thousand dollars.

If you want to do it yourself, there's a number of programs at your library, just go in the business section of your library, and there's a number of programs. They'll have CDs. They'll have computer programs – everything that you can use to put together a business plan. But, if you decide to go out and raise money and don't put together a business plan, the chances of you getting the money is zero and none.

MICHAEL: Here's a question from Mac from the United Kingdom. There's actually three questions. We'll knock them off one at a time. "How do you find a good manager or director to run the business for you?"

ART: Okay, first of all, if you're starting a business from scratch, that's a very important thing, but if you buy an existing company that's been around five, ten, 15 years and it's doing very well, most of them are managed. Now, there are some out there where the owner's still running the company. If the owner's still running the company, and he's hands-on in there, what you're going to find is there will be other employees that you can move up. In other words, you can hire from within.

You're also going to find that a majority of the companies are being managed by somebody other than the owner. I mean, if you go after something that's good, what you're looking for is you're looking for an owner that plays golf full-time and never shows up. You don't want to go after a business where the guy's there 80 hours a week. I mean, who wants to own that? And, what will happen is you'll find usually within the company somebody running it or whatever. You'll have the manager you're looking for.

Now, can you go out into the marketplace during your due diligence period before you close escrow? Yes you can. Can you find a manager? Yes. Are they easy to find? Yes. If you go out and buy a good business, and you're willing to pay a good salary or fair salary to somebody, trying to find somebody to run that company is not going to be hard at all, but keep in mind this doesn't happen very often. I can't remember the last time, we had to go out and hire a manager and I'm talking the last 20-25 years.

MICHAEL: Okay, great. Here's a question from Michael Morales. Michael Morales actually remembered you and went through your course in the mid '80s, and he asks, "How should a-" Isn't that wild?

ART: I feel old. I go to national meetings that went through it before that. So, that means – I tell people I'm only 37 they know I'm lying.

MICHAEL: Well, he remembers you and he remembers your course and said it was great, but he's got a question, "How should a buyer protect himself from overpaying for a business? Generally, a buyer will give seller carry-back financing that is tied to the income and the profits that the seller promises. If the business as the seller says it is, then the seller loses out on getting paid all of their money rather than the buyer losing out." Does that make sense?

ART: You have to do your homework. You can put your arm and give the seller a big hug. You can look at the business, but take everything with a grain of salt. What you're going to have to do is check everything out that they give you, verify it. On the numbers, you're going to have to bring a CPA in to check four years whatever it happens to be. What you're doing is you're doing your homework, you're checking it out, take your time. And, what you're going to find is all these things will pop out. And, once you go through your first business even if you don't close on it, you're going to find by the time you get to the second one the next week or the week after, the same things are going to pop up. By the time, you've gone out to look for maybe a month, and you've looked a number of businesses, the same things will keep happening over and over again and you'll find you can believe how smart you get, how fast. But, quit worrying. What you have to do is quit letting all these things bug you and go out and check the market, but most of the things you brought up today, Michael, these things really don't happen, but they're part of the 50 everybody always worries about.

MICHAEL: It's just fear.

ART: I know. I went through this at the beginning, too, but I didn't have anybody to talk to. I overcame the fear by screwing up.

MICHAEL: You mentioned you want to get a CPA to check the numbers out. So, you recommend if I'm analyzing several businesses, I should hire a CPA and say, "Look, I'm interested in buying some businesses", and contract them to review the numbers for me.

ART: Okay, no, you don't really have to do that. Once you start going through this, if you have an IQ over 20, you're going to start to see a partner on the PNLs and balance sheets, profit and loss and balance sheets. Now if you need some help on description, that's okay bringing a person, but what we try to recommend is don't bring the attorney and the CPA in until you've gone far into the due diligence period because you may find that three or four of them fall apart and you end up with a large CPA and attorney bill.

MICHAEL: So, do it yourself?

ART: Well, as much as possible. Keep in mind, what you're trying to do is keep your cost down because what will happen is you'll run up these large bills and you'll find a business that you don't really want, and you say, "God, if I don't close on this, I'm in trouble." So, you end up buying something you didn't want.

Now, if you're buying a good company, the average CPA and attorney will roll along with you. They'll say, "Okay, you're going to go through four or five. I'll bill you on an ongoing basis, and then you can pay me after you get your business." So, you don't have that expense as you go along. But, you also don't want to build up expenses because it might take you a while, and what you have to do is take on as much as possible checking out the business. In other words, learn how to do it. And, again, just by going through three or four, you're going to find you will be amazed how smart you get from business to business.

MICHAEL: So, it's basically you need to do it yourself, and learn how to do it yourself and do it right.

ART: That's right, and when you take over the company, don't you want to know something about profit and loss statements and balance sheets, or you're going to be in big trouble.

MICHAEL: The course that I sell goes over all that specifically on how to do that.

ART: Well, that was the purpose of the course in the beginning. We had a lot of people coming to us because I was just basically a business owner and talking about all these problems, and I said, "We need a program out there which we put in the course." Basically just to blow away all the crap you hear about businesses, and that's what the program has ever done. It blows the crap away, and let's you see what is really there, and then do it on your own. And, again, after working with all the people I've worked with over the last 50 years, it's amazing to me that I haven't met anybody that after a short while doesn't comprehend almost they're looking at when they're looking at a business.

A business is not that complicated, and after looking at a couple of them, it's finally going to dawn on you, "Oh, this is not very tough."

MICHAEL: Well, speaking of the course, Neil Phillips from Cardiff, United Kingdom bought the course and he has a specific question. He talks about when pricing a business in your manual, in section 5.22, you give a weighted value to the business based on net profit value. What figures would you use now taking into consideration inflation? And, he also asks, "Have you ever used these techniques to buy businesses in the UK? If not, do you know of any one based in the UK that someone should look for advice?"

ART: Okay, first of all, that pricing was developed about 25-30 years ago. Well, what we did at the time is to make sure that we did not have to have problems because of inflation, because of tax changes or different situations of different countries. So, that's how the thing was set up. We have not gone back to check it or do anything. I still use it as a guide. Everybody I work with, they'll use it as a guide. Everything that we taught in that course is the same today as it was when we first started many, many years ago.

Now, I've had a lot of people come to our program from the UK. I've had a lot of people come from the Far East. In fact, we've had – towards the end - we'd have large numbers of people from the Far East that didn't even speak English. They were sitting in the front row with their translator, interpreter, and the thing was fascinating because I always wanted to know how well I did. Every one of them went out and did fantastically well. I was figuring, "My god, if you can do it. You really can't even understand the speaker." I mean, there must be something here.

What you have do, quit thinking things are different in other countries. Now, I can't speak for the UK. We have purchased businesses in France. We have purchased businesses in Italy and Germany. And, I hate to say everything's the same, but even if you go to Mars, there's only certain ways that you do profit and loss statements, balance sheets among other things, and the people all of a sudden, I mean, here in the United States we have a cross section of people over the period of five years, ten years or twenty. I have worked with people from every nation on this planet that have been here less than a year, and I think I know England, in fact I was just over there. I just got back from a cruise and spending time in London a week or so ago. But, the key thing is if you get involved in the details of pricing and you want to get it down to the net, what you're going to find is you're never going to do anything. What you have to do is go out and go more broad scope. In other words, in England if we're buying a banking company and the priced that two times book value whatever that happens to be, the net is the value in the area. If you're going through the detail that he's going on this, all you're going to do is waste his time. In other words, this is a great study for an engineer or a mathematician, but that isn't the purpose of the program. The purpose of the program is to go out and buy a business.

MICHAEL: *I hope you're enjoying this interview with Arthur Hamel, please continue to part two.*

ART: I had given up retirement. That was my eighth time. I really have given it up. I'm never going to do it again. I'm in the process of buying a couple of companies. I don't know which one I'm going to buy, but that's what I'm doing.

MICHAEL: We talked about that early. What are you going to do when you retire?

ART: I have tried. The problem is I can't. My whole life has been tied around businesses.

MICHAEL: And you love it.

ART: And, I love it, and I love the people in it, and I don't like the retired people.

MICHAEL: You've got to do what you love. It's not work. It's your passion. So, why wouldn't you keep doing it?

ART: That's right. It is my passion. I didn't think of that. I forgot about passion.

MICHAEL: Here's another question from Neil Phillips in Cardiff, United Kingdom, "Have there been any changes in your thinking that you would now include in the course if you were going to write them for the new millennium?"

ART: The new millennium really has nothing to do with the changes. I mentioned it before, and the two things that have dawned on me now as I look back is the fact that I really didn't tie enough of getting your head straight before you go out to buy a business. In other words, getting your team, so if you don't have business experience that's hanging you up, you're going to telegraph it to the broker, you're going to telegraph it to the seller, and they're going to get nervous especially if they provide financing.

Now, keep in mind, if you're intent is to go out and bring investors in or some other way so that you don't have owner financing, what you're going to find is the broker and or owner are going to back-off. They're not going to really challenge you or question you on that, and they're going to give you a better price.

Again, I have never thought of it in detail – new millennium – because what happens is I just go out and buy companies and I've been doing that for 50 years, and I've been doing it the same way. Have we changed anything? We worry about tax laws and things like that or for working internationally what is happening in other countries. But, the average person buying a business is not buying General Motors so we don't normally get involved in what you'd call the big picture. I always tell people that would come to me and say, "How about the big picture?" Let me tell you something. What you have to do is quit worrying about things like this and go out and buy a business.

MICHAEL: Neal was actually – he said he was having problems and I pushed him. I go, "Neil, give me your problems that you're having." And, so he wrote to me this, and see how you'd answer this, he goes, "Okay, the problems I'm having here is that the majority of people sell their businesses through agents, and these agents have a specific criteria of how a business is sold. The idea of being creative with finance is not a concept that most people look at over here." This is in the UK. "They want the would be purchaser of the business to put up all sorts of personal assets as a guarantee as a way of financing the deal rather than either the guarantee be against the business or the financing carried through the seller. The same is true in trying to create nothing down property deal. This is in real estate. So, the big problem over here is getting the creative financing to work. So that is where the difficulties are. If any suggestions could be made as to how to overcome this, then that would be excellent."

ART: Okay, I worked in the real estate market also internationally for over 30 years with top creative people in the world, and all I can say is although they are a lot of creative things you can do in real estate, if you want to be successful in business, you have to quit being creative because what happens is the things you're describing in the country that you're in is the same as the United States. The brokers, they're the people handling it for the sellers, all want a lot of guarantees. In fact, every deal I go in on, if the person says, "I might finance." I'll say, "Okay, let's talk about financing." And, by the time we hit five, ten minutes into our conversation, I say, "Look it is so complicated to try to put this together with owner financing."

Now, the average business owner especially on the large ones, over a million dollars say in price, I haven't seen one in 30 years that has provided financing. They just don't do it.

Now, smaller business will do it because the brokers convince them that's the only way they're going to sell. The broker also knows if he handles small business, smaller businesses, that unless he gets owner financing, he doesn't ever sell anything. He can't make his commissions. So, this is a thing they're pushing all over the world. I don't care where you go in the world, creativity doesn't really cut it. So, what you should do is figure out other ways of doing it.

Again, I hate to keep pushing investors, but you don't end up with all the qualifications, you don't end up with all the harassments you get, and if you walk in and you're on the left side on the street and your investors are standing on the right side with their strong financial statement – the cash they're going to put into your deal – nobody's going to get in your way. What you have to do is quit trying to be creative especially with nothing down, or try to do great things with banks without collateral. They're not going to do any business. They have too much experience.

Now, there's a lot of creativity that's used in real estate. I agree, but a lot of this creativity does not transfer over to business.

MICHAEL: What criteria is an investor going to work with you? What are they going to need from you?

ART: Okay, well the key thing an investor's going to want is information on the company because it goes from you the buyer to the business, and that's what you're trying to do. Say you filed bankruptcy last year. If you go out and try to do something under your name, you're never going to be able to do anything.

Now, what happens is if your bankrupt last week and this week you end up buying a business, what you're going to find is with the investors, you're going to find the average investor is spending 99.9 percent of his time on the business because that is the thing. If you're also buying an existing business, even if you don't have a lot of experience or if you don't have any in business, it depends on how strong the management team is in the company you're buying.

Bear with me, for those of you that worry about not having the management experience or don't have the money, there are easier ways of doing it, and that's all I'm trying to tell you.

Again, if you're going out to banks, again, I haven't gone out to banks in 25 years, but the first 25 years of my existence I went through all the same stuff. It's like, "Here are these questions" it cuts me right down to the middle because it brings back memories of all the stuff I used to have to go through, how I had to qualify, how they wanted my house as collateral. They wanted me to sign personally. Do you realize that when you bring investors in you don't ever have to sign personally? You don't have to put your house up as collateral.

MICHAEL: Here's a question from Norman Halit, "Here's my question. Let's turn it around a little bit. I'm in the early stages of building my business, the third year, and I'm building it with the idea of selling it to someone down the road. What should I be concerned with as I build my business to make it attractive to a buyer down the road?"

ART: The first two things that make it attractive to a buyer is increase in sales and profit every year but very few peaks and valleys. The other thing that is important that makes it very attractive to a buyer is strong management. In other words, you've brought people in maybe even beginner people, you've trained them, they've come along, and you have a very good management team in there because that's the thing that carries the business forward.

What you're trying to do is attract them. They're not going to look at the inner workings of your company. The other thing I want you to keep in mind, and although I'm always talking about working with buyers, the one thing I usually don't talk about is the fact that probably 10 percent of our business over the years has been with sellers, where the seller comes to us and says, "I have these great buyers but none of them have any money. Do you have anybody that will joint venture with them or be a partner?" An investor covers a lot of different things because what you're doing is you're trading them their money for part ownership in your company. Believe me, it's the easy way to go, and most of you who are listening to this, if you think about it, you probably would have gone to investors years ago if you knew how to do it.

Again, for 25 years, I didn't know how to do it, and the only reason I'm in that business and have those available is the fact that I stumbled on it. I needed it for Mexico or not to Mexico.

MICHAEL: Here's another question. "My question for Art is a simple one. I have an electronic component distribution business in Sarasota. We are growing real fast and can't get money from our bank because they said our balance is too low. We are spending all our available cash on product purchase. We are turning the money over in 48 hours on our sales by using a factoring company, but would like to finance the sale internally. But, that only leads to more and bigger sales. We have a classic problem of too much success and no funding. We could lose some big sales for lack of capital. All our customers are large corporation like Proctor & Gamble, Hilton, Hewlitt Packard, et cetera. What can we do?

ART: I hate to come back with the same thing all the time. The easiest thing to do on a deal like that is bring an investor in because whether it's a million, two million, five million, whatever the amount is, there's either one person or three or four persons that will come in. Again, this is not going to be a loan, it's going to be equity financing. In other words, you're going to give them part of your company, and although a lot of you worry about giving part of your company, most of the people that I work with, don't want to own common stock or stock in your company, they want to be in a preferred position. They feel comfortable with preferred. If you own the type of corporation that allows preferred stock, you're going to find they're not in a voting position. So, even though you bring investors in you still own 100 percent of the company. You don't own 100 percent of the cash flow.

One last thing I just want to mention, and I want to mention this because there's two different types of investors that we work with. If we have a fast growing company, the last thing we want is an investor, mom and pop, that need the income every month or every quarter because then you might as well have financing. So, what we're looking for especially in rapid growth company like you're talking about in Florida, what we're looking for is somebody that is going to let it ride for four or five years. Then you have all your cash available to do whatever you want.

Also, if you have debt on the company right now, I would suggest that if you bring an investor in that you wipe out all the debt. In other words, bring in somebody to expand it, and then bring in someone to pay off the existing debt. Why sweat it?

And, also the people I work with, I have a very simple thing. I meet with a lot of people that want to invest, and if I don't like them, we don't work with them. So, if you end up meeting me, and you like me, you'll like the investors. And, we also don't take on nit-pickers. So, if somebody comes to us with X number of dollars and they're nit picking all over the place, we won't work with them.

MICHAEL: Here's a question from Kiaro in Melbourne, Australia. "Are there any industries or businesses that you would not get involved in? If so, which ones and why?"

ART: The thing I like more than anything else is manufacturing because there's actually less risk, less failure because what happens is you have more money invested. In other words, in order to get in a manufacturing business, you have money in equipment, you have money in accounts receivable, you have money in inventory. So, it costs more to buy one of those, but the risk factor is lower and the chance for failure is lower.

The next category down would be distributorships. They are not as good as manufacturing, but they're better than the others.

The next one down in risk factor is generally retail, and the toughest one is the service business. The service business gets the lowest price, the lowest value. You can get in for the least amount of business, but you're also going to have a higher failure rate – a very high failure rate.

MICHAEL: Why is that manufacturing is safer than a service business? What are you basing that on?

ART: Let me put it this way. In manufacturing, the success of your company depends on the reliability of your product. The service business, it depends on the reliability of your employees, and products are more reliable that people.

MICHAEL: That's a good point. Okay, here's a question from Rhonda Holland, "Michael, I'm most interested in how Mr. Hamel arranges financing for his business purchases. Does he use private investors or does he work some sort of owner financing in conjunction with something like a sale lease back of the equipment to give the seller some ready cash? I'm also interested in how active he is in the day to day operations of the companies he buys, and also what steps he uses to protect himself from law suits."

ART: When you're talking about sale lease back, or if you're doing anything with equipment or hawking your inventory or hawking any of that, this is things we did continually up until about 25 years ago, and which means we had large debt on the company when we were going in.

Since then, since we found investors were available, we don't' have large debt. We don't have any debt on our companies, and it makes it easier to expand the operations of these companies.

I have not been involved in the day to day part of the companies probably for 25 years. I didn't even realize it until somebody asked me a couple of years ago if I was a hands on owner, and I said, "Yes", I guess I have never wondered. I always use it. I oversaw the management and that. So, I was hands on. I never understood what the term meant.

In Mexico, we had more than one company. We had 17 down there. Another business said, "Well, how could you be hands on? How often do you go there?" I said, "Every six weeks." And, what happens is the companies I buy I have managers, the people running them they get paid a lot of money. The companies we buy, we usually pay them $150,000 a year or more plus benefits, plus part of the company. I never get phone calls. In fact, I go to these national marketing meetings in real estate. We also bring people from these real estate meetings to invest in businesses as investors. In fact, if you go to any national or international marketing meeting, you can mention my name. They'll say that I've been going there for 30 years, and either using real estate or investors from real estate in our business deals.

Now, the next part on protecting myself – first of all, everything I do, every business is in a corporation, every corporation is separate. In other words, I don't have any two businesses in one corporation. I never have in the 50 years that I've been in business. I don't cross collateralize. That means take one asset to finance another one. I also don't cosign.

Now, all the different things that get you in trouble are things that you're going to get involved with if you have owner financing, if you have bank financing, if you do sales and lease backs. So, what I'm saying to you is I hate to tell you that the investor is the only way to go that really makes sense. It's just that it has not been accepted because people don't know how to get an investor, and that's why it hasn't been done, but I can make a list of many, many things, and the key thing is that's the easy, nice way to go except as I told you for 25 years, I didn't realize it was available for me even though I owned a lot of companies.

MICHAEL: All right, here's a question from Tom Dershel and it's kind of related to distance. He says, "Does distance play a factor and would you recommend picking a business closer to home?"

ART: I would recommend one closer to home but not too close. You don't want to live over the store. You haven't lived until you've been close to a business even if you're not managing hands on because there's a tendency to drop by and get involved in the whole thing.

The thing you have to realize is if you're going to have one further away, the minimum net , again it's based on all the years they've been in business, is about 250,000 net. That's after you pay a manager, that's bottom line 250,000. At about that level, the manager really starts to take over and you don't really have an active participation in the company. This doesn't mean you don't oversee it. It doesn't mean you're not involved in it. It means you're not there every hour. When the secretary doesn't come in Monday, you don't really care. You don't even know about it.

MICHAEL: How often are you talking to the manager at least over the phone?

ART: First two months – I'm talking to the manager hourly where I get involved in the first two months. I come in as in-charge man, whatever it is, and what I'm doing is I'm seeing what controls we have, to set-up controls if we need controls, and to become familiar with it. After that, I don't get there very often.

We had one in Florida. Somebody was talking about Sarasota. We had one in that area for 25 years, and always visited it once a year. If that person listens to this, every year when we'd have this, they would have a big reader board on the hotel in Sarasota even though it wasn't even in Sarasota. It said, "Welcome Horrible Hamel the Happy Huckster", and my only point was I wasn't getting any respect. Here was a company that never bothered me. I got to visit them once a year, and all you got was money from the thing over a 25 year period.

There's nothing wrong with being hands on, but all I'm saying is I don't care what age you are, if you'd like to have a healthier life, and maybe own more businesses, what you should consider doing is nothing hands-on. Let somebody else do it.

MICHAEL: Once you do a purchase, you're going to be hands on at least for the first couple months, at least communication and getting everything set up.

ART: Well, let me tell you what the rule is. I tell all my mangers right in the beginning. I say, "Look, I'm a blue collar type guy. As a blue collar type guy, I don't like to work after five o'clock and I don't like to work on weekends. If you ever call me at home after five o'clock with a problem you could have solved, I will fire you at nine o'clock tomorrow morning." True story, I have never gotten a phone call.

MICHAEL: You make it a point to tell them exactly that.

ART: I know, but they love it. They love it because they're getting the run of the company. "We don't have some pain in the butt owner driving us nuts" because this person's probably run the company for five or ten years successfully, right? What am I going to do? If I don't show up, they're going to be much happier and the business is going to do a lot better. I don't contribute anything.

MICHAEL: That's true. What else do you tell them?

ART: I tell them to make the decisions on their own. Let me give you an example I use. We used to work on deferred giving with Stanford University so, Stanford's always had a great business, or if I tell them I have 25 – I have a coin that Stanford gave me. It's a Stanford Business School coin, and what happens is everytime I want to make a decision I flip a coin. So, I tell my manager, "Do you have a quarter?" "Yes" "Take your quarter out." "Okay" "Everytime you want to make a decision, and you're not really sure of it, I want to take your quarter out and flip it." He'll say, "Okay." I say, "Okay, when you flip the coin, how often will you be right?" He says, "Fifty percent." I say, "Good. I have this quarter that I flip also. So, if you call me and I flip my quarter, do you know how often I'm right." He says, "No." "Thirty percent of the time." I said, "Why the hell would you call me if you're right more often than I am?" And, after I tell these stories to them over the period of a couple of months, they get the message that I sincerely want them to run the business.

MICHAEL: Do you ask the manager to provide you any kind of reports or any kind of feedback as you're hands off?

ART: We get profit and loss, balance sheets, in the beginning. We'll get them daily if we can, and then weekly, and then we're going monthly after that.

MICHAEL: At what point will you get a call from a manager where he's just really stuck and he needs to ask you a question? What kind of situations would that be?

ART: It has happened so infrequently, here's the thing – the person that I normally have running the company has already run the company for five or ten years. He didn't really bug the former seller. In fact, he didn't show up. The last one I was working on down in LA, the owners came in once every six or seven weeks for a day when he wasn't out playing golf.

So, it just doesn't come up very often. Again, if you have somebody that you're paying a hundred and some thousand dollars a year to, or whatever the amount happens to be, you're paying him a substantial amount of money, you have a substantial manager who can make decisions and knows as much or more than you do. I own a lot of companies, but I can't say that I'm a better manager than the managers I have.

MICHAEL: Here's the question and a situation from one of my listeners, "A client has a company that is an offshoot technology. They want to sell it. It looks like a start-up, but have over five million dollars in purchase orders mostly from third world country government, but it is all the needed licenses and government approvals. Manufacturing is done in China and done by a very good company, done on time in price. Net profit that is over 25 percent, after several phone calls, due diligences and other local governments, I can sign new contracts to at least five million more in the next 30 days. We need to raise three million used to purchase the license and patent in all current signed businesses. Please tell me where I can find investors or funds, not bank loans where we can develop funding?"

ART: All I need from you is a business plan. Now, the reason I ask people for business plans in the beginning when they're doing what you're doing is we can help even though it's basically a start-up coming because of the other things you have going on. But, keep in mind one thing, years ago I used to meet with people before they put together the business plan, and I found out after a couple of years that people are afraid of three things – death, taxes and business plans. In fact, most people would rather die or pay their taxes then put together a business plan. Of all the people over the years that I met before they completed a business plan, none of them ever put it together, none, which means they didn't get their financing and they're telling their grandchildren how successful they would have been if they had gotten the financing. The reason they didn't get it is because there's no business plan.

A business plan is a description of what you're doing. In other words, if you came to me and said, "We need three million." I can't take what you're telling me verbally if somebody else can whisper in their ear. What you need is that document and you put that document together, and if the thing makes sense and everything you've talked to me about, Michael, on this makes sense, you'll get your three million or more.

MICHAEL: Is there a recommendation that you could suggest to anyone who is afraid of putting a business plan together on how to do it or to get somebody to do it for them or work with them?

ART: There are people in all towns that put together business plans for five or ten thousand dollars. If you know how to use a computer or you like to go to the library, go down the library to the business section and most libraries not only have books on what goes into a business plan or samples of business plans, but they also have business plans on CDs that you can put on your computer. Now, if you don't want to do that and you don't like to go to the library, just go online, put "business plan" into your computer, and watch it exploder. There are a lot of companies out there that will give you samples of business plans because they're trying to sell you financing or something like that, just modify them.

All it is, is somebody's coming into invest, and if you were the investor coming in, what information would you want before you would make the investment. What you're doing is just spelling this out. In fact, if somebody else puts it together for you say, they're going to have a lot of disclaimers in there that they didn't check anything out and stuff like that, and the person that needs the business plan are going to have the due diligence themselves.

The main thing is keep it simple. Don't let this business plan freak you out because once you put together a business plan, you have a plan to move you're company forward. If you need any other financing or investors, it's a very small – it will take you a couple of hours to make changes in it and bring it up to date. It's a great, great tool, and everybody should do it.

MICHAEL: Why must investments from investors be a million minimum?

ART: Okay, let me go back over the years. Anybody that comes to me that wants 300,000 – 400,000 - I would tell them the same thing anybody will tell them, and that is if you need a couple hundred thousand or 200,000, you're going to have to go to a relative or a friend. Nobody's going to screw around with it. It's not worth doing.

The other thing is for about six months about ten years ago, we decided to go after people with less than a million dollars, and what we found is they wanted to earn four to five times the return that would be a normal return on a business. In other words, if we have 200,000, I want to have a million at the end of the year – something ridiculous like that.

So, over a six month period, we had a large company doing this at the time. I don't know how many people we worked with, but we couldn't even get close to putting one together. But, what we found is at about a million dollars investment, the investor is more reasonable. In other words, whatever the market rate is – in other words, if the person's earning seven percent on the money they're getting, they're getting about eight or nine on a deal, whatever it happens to be.

So, it's fair, and I want to tell you something, when you start to see returns you have to pay the investors compared to what you're paying for the business. You end up with an awful large percent of that company without putting up a lot of all of your money.

MICHAEL: Let's say there's an investor out there with money to invest. What's in it for the investor and are you open to expanding your investor contacts?

ART: Yes, I am open to expand investor contacts. What I'm really open to is I'm trying to find more people that need the money because say you and I work together Michael – the thing you're going to find working with different investors – I don't think any of them have any complaints except one thing that we have never have enough product. There's a lot of money out there, but very few projects that we work on because I'm not trying to set a record buying companies. So, we don't have enough product over the period of a normal year, but if somebody's interested in coming in as an investor, one thing they should keep in mind is they can get a pretty good return being an investor, but if they have over a million dollars and would like to own a company, the return will be 25-33 percent on their money there.

MICHAEL: A lot better.

ART: Yeah, yeah, that's a lot better, and that's on a managed company that's not going to drive you nuts, and we'll stick with you I mean, even if you own it yourself. If something goes wrong, we'll come in and solve the problem.

MICHAEL: If I want to buy a business, and I come through you and through one of your investors, and I acquire the business and there's problems, what are you going to do for me?

ART: We'll come in and solve it.

MICHAEL: Okay.

ART: I have a number of people that work for me that are in the consulting business, too. Also, we have owned three consulting firms. So, I have a lot of people available to do that, and also unless I'm very busy, I will take care of it because that's exciting to me. I mean, I spent all my life buying companies, and I don't really get to solve a lot of problems. So, when one comes up whether it's verbal or going on the scene, that's interesting to me because it's something different.

MICHAEL: Is this possible with a poor credit rating and a bankruptcy?

ART: Let me tell you something interesting – I don't care if the owner's carrying back financing and the bank's financing, I don't remember in the last 30 or 40 years anybody I was working with that filed bankruptcy had anybody check on them. The thing that upsets me everybody should check on the other person. What happens is if you have a poor credit rating or if you have a bankruptcy that's only going to be important to the owner starting financing.

What you're going to find is, I hate to this, they don't check. Do they occasionally? Probably, I'm not aware of it, but I don't remember the last time that came up, but I do remember every week talking to people that filed bankruptcy or had terrible credit, and it's not important because what happens is you're focusing on you the buyer. Don't start a business. Don't buy some little donut shop, buy something a little larger, and the people coming in, the people putting the money up, the people checking are going to see the business, not you. You can be a flake today and just filed bankruptcy and have no money and don't pay anybody. Tomorrow, when you take over that business, you can go out and buy it. As soon as you go into escrow, they'll deliver a new Mercedes to your house. You can go out and buy a ten million dollar house. Why? Because you now have taken on a persona of that business you bought. You are now that business. You are now a person making X number of dollars a year, not some person that screwed up.

MICHAEL: What is the maximum you guys can get from investors? I know the minimum is a million dollars. So, what's the maximum?

ART: That's an interesting question. Again, I don't know a maximum. I know the areas we normally work in. The people invested with me in Mexico, we have about 72 million dollars left of investors that bug me every month. They call me every month, and ask me when I'm going to get off my behind. Also, at our national marketing meeting real estate, we have tens of millions available. If somebody needed a hundred million dollars, we'd have no trouble raising it from the people that we have now. I have a son that is a vice president of with FBR, one of the big IPO firms, and if you need money beyond that, my son – I've already referred things to him, IPOS, they also went public and they're worth billions. All we need is a business plan. In other words, don't come to me and say, "We need the following." We need a business plan first so you don't waste his time. Once you do that, I know, this year through March he had put together three deals for over 300 million each. He had told me yesterday he had seven more in the hopper.

MICHAEL: How many businesses do you own Hamel? How many years have you been in business successfully? What's been in your involvement in businesses with brokering and real estate over the years?

ART: Well, the thing that's interesting is up until a couple of years ago, Michael, I used to tell people, "I've been in business 30 years", and I've learned that people say, "How can you say you've been in business 30 years? I've known you almost 40, and you've been in business every since I knew you pal." I then moved up to 40, and then probably about a year or two ago, somebody said to me, "Why don't you quit lying about your age?" I said, "What are you talking about? I don't lie about my age." They said, "Why don't you tell people how long you've really been in business because I knew you back in college, and I knew you back in New York, and you've been in business over 50 years." So, it's been embarrassing doing that because not everybody realizes I'm not 37.

MICHAEL: How many businesses have you owned?

ART: You know, back when I was n the seminar business, I was asked that ten times a week, and we actually knew. All I can tell you is I had either 25 or 30 in the first three years at the end of that period. The last time I checked, and this is just an average, I was up less than 200, but I was approaching 200.

MICHAEL: Do you buy a business with the intent of selling it down the road, or just for the reason of profits?

ART: What happens is when you're bringing investors in, we have a pro forma for what they're looking at. If they're looking at a return and they want a return of X number of dollars or percentage, they usually look at pro forma for five years, and as long as they're getting their return plus extra over that five year period, they'll do it.

So, most of them will think about staying for five years, but of all the ones that have come in with us, none of them have really left because what they do is if they do decide to get out after four or five years, they go into another program we have, another business we're buying.

MICHAEL: Good. Tell me about a little bit of background about the seminar business back in the '80s - how you got into that and what it evolved in and then how you eventually got out of it.

ART: Well, this is back in the '70s as a matter of fact, the early '70s is when I got involved in the business. Actually, I had a friend of mine who was a big seminar person here in San Jose.

MICHAEL: Can I ask who he was?

ART: Yeah, Cliff Reader. He was very well known in real estate, nationally and we used to go out with our wives all the time, and I would tell him many business stories, but you see he and my wife and his wife would laugh hysterically and I wouldn't. I didn't think they were funny, but he'd ask me questions about that. So, he finally talked me into teaching, and I told him I would teach for five years. Again, this was only part time because my love was buying my companies which I did for a whole 15 years.

MICHAEL: So, he was doing seminars already, and he asked you to come in and kind of add to it.

ART: He was doing it in real estate, and he figured we needed courses in business for people. So, in the beginning we taught these classes to nothing but real estate exchangers and other people in real estate.

MICHAEL: What's a real estate exchanger?

ART: These are the people who do 1031 exchanges or work on creative techniques to sell and exchange real estate. They're international and they've been around a long time. So, I got them to come to the program with these national groups supporting me, and then after a couple of years, I basically ran out of people. So, somebody suggested Bob Seal, and actually, Al Lowery who was teaching classes – you know, Larry Nickerson? Al said, "Why don't you teach a business class nationally with buyers?" And, I said, "Why? He said, "Because the competition that I have is really tough, and I know you and I know you'll be fair." So, he basically talked me into it and spent time in his Reno office showing me all the ins and outs. And, we started off small, and the last few years our classes were running three or four hundred per class.

MICHAEL: Were you traveling all over the country doing them?

ART: Yeah, well we had other people that were teaching too. The problem I've had, I've always had too much success. I never had an instructor last more than three months. I would just get him trained, somebody would offer him a business deal in the seminar, and they would be gone.

MICHAEL: Oh, I see.

ART: I had the same thing in brokerage because we had brokerage offices. We were in the seminar business. We tried to make sure that we had the highest success rates for our graduates. We also had brokerage offices that we would work with anybody. In other words, brokerages would qualify you and give you a hard time. So, we had an office in Seattle, one in Portland, San Jose, LA and Houston.

MICHAEL: That would assist your students.

ART: Right, but they also, they helped anyone else that wanted help, but we also then have marketing sessions were buyers, sellers, brokers would get together once a month in each one of those cities, and we ran those, and then what we would do, we'd put on nationals which would be a three day meeting where buyers, sellers and brokers would get together to sell businesses and the first designation in business brokerages was actually the company I formed called "Service Side Business Counselors" which is probably 35 or 40 years ago. Groups today that are giving out designations and business appraisals, business whatever are all the original people from that group that I founded.

MICHAEL: Wow, did IRS adapt any of your teachings?

ART: Oh yeah, we were an IRS approved program for many years.

MICHAEL: Is it hard to get an approval from them?

ART: What they did is they sent people to the class, and we then became part of their continuing education program. Once we got to that, we had a number of people going to our class up to the head of their fraud division from – which really made me nervous teaching in Washington, D.C., and the guy from the fraud division was sitting in the front row, and everytime he'd lean forward – I still remember he had a pale blue three piece suit on – everytime he'd lean forward, I could see his holster and gun, and I'd probably gulped, and when I got to Sunday which is when we used to cover taxes, I was really nervous, and when it was over he came up and it was break and I turned to him and I said, "How did I do on the tax section?" Without smiling he said, "I didn't arrest you did I?" I said, "Okay."

MICHAEL: That's – oh wow.

ART: We're also an IBM approved plan. It's the husband and wife at IBM where in the last two years before retirement, IBM would pay their way to our seminar. This is before IBM was laying off people.

MICHAEL: Tell me about your infomercial and the sales of your seminar through that.

ART: We used to have a lot of different things to promote because we put on a free lecture to promote the class in an area. So, we'd put on three, four, five of them. Somebody came to us and said, "We're putting on these little half hour programs and 15 minute programs. Why don't you put on a one hour program to sell your cassettes?" So, I went on this thing with – I forget his name. He was a game show host, very famous. He's still very famous. So, I went down there the day before. We had a full studio. I mean this is not cheap. I mean this is a complete movie studio that we had for this one hour program.

I went over this with him for two or three hours the day before. We sat down. The camera started to roll. We taped the whole thing with no cuts, with no mistakes. Could you imagine? That thing went on and what happened is we ran into a guy that owned the Shopping Network, some billionaire from New Jersey, and every morning after the Shopping Network went off the air at three a.m., they would put our one hour program on. That was the good news. We sold lots of cassettes, thousands of them per week. In fact, it was the biggest seller that they ever had.

The problem we had was I couldn't go anywhere in this country. I had a mustache at the time. Everyone would say to us, "You're the guy with the mustache." They couldn't remember my name or anything else. "I saw you on the Shopping Network". I wasn't really on the Shopping Network, but almost. In fact, probably because of us, you see what they do on the Shopping Networks now. They have people like us as part of the Shopping Network whatever they call it.

MICHAEL: So, you sold thousands and thousands of the same courses of the inventory I bought from you.

ART: Well, that's how we had any left for you because what happened is my wife had more trouble collecting from this guy. Here's a guy a billionaire, and we didn't call through his office. My wife had to call him at his house every month to bug him to get paid.

MICHAEL: So, he wasn't paying you?

ART: Well, he would, but he was so late and he was such a pain in the ass, and we'd ship a thousand at a time, and we just quit doing it, and that's how we have the ones still left that we ended up turning over to you.

MICHAEL: So, basically, when he was doing it, what ended it? It just ran it's course?

ART: Do you mean with him?

MICHAEL: Yeah.

ART: We told him we weren't going to work for him anymore.

MICHAEL: Okay.

ART: You have to realize that's a lot of money. We were making a lot of money on that, but compared to everything else we were doing, it wasn't enough to justify. I probably could have turned it over to somebody else or my wife still would be doing it, but I was trying to get her involved in business at the time.

MICHAEL: One last question and we'll wrap it up. What do I have to do to qualify for help with you and your investors?

ART: Okay, first of all, if you have a business, a larger business that requires at least a million dollars, either for the complete amount or for part of it that's over a million. If you're at the point where you're about ready to buy the company, in other words, I don't want somebody that just now thinking about it or might do it, or still working on small stuff. You have to get up to the point where you have something available just like you referred me to a person in the Midwest a couple days ago. I'm working with him now.

What happens is, he has found a large company, a 30 million dollar sales company back in Chicago which we're now putting together, but the information is being sent to me. So, once you're at that point, I can work with you. There's no charge. There's nothing.

Now, if you come to me and you're not at the point where you have a large business, or you're really not doing anything, you just want to talk about it, I'm going to charge $150 an hour. I don't want your money. What I want you to do is get off your duff and do something. So, what happens is if you sign one of those agreements, I then will work with you at any level you want. I'll talk to you, work with you personally hour after hour. When you finally go out to buy this and we provide the financing, we'll refund all your $150 time whatever hours. So, you get all your money back. We used to do that also with the brokerage business. When we had somebody coming in that just wanted to talk, years ago we would charge them so much an hour and then when they bought the business, we refunded all the money they paid us because our goal wasn't to talk to them. Our goal was to get them to buy a company, and that's what we did.

MICHAEL: Can you think of any better investment than buying a business?

ART: Well, let's put it this way. If you pay all cash on a business, and you're the principle, it's your money, you're going to get a 25-33 percent return. If you get any financing at all, these are talks I give all the time, the cap rate on the average business with some financing is about 60 percent. These are talks that I'm usually giving to real estate people.

MICHAEL: For people who aren't real estate people, explain what the cap rate is.

ART: What you're doing is you're getting 60 percent of your money back every year.

MICHAEL: Okay.

ART: So, if you invest 100,000 dollars, you're going to get 60,000 back a year. I mean, on real estate you invest a hundred you're going to get 10,000 back. So, it's six times what you normally get, but it's more than that because for those of you math people listening to this, mathematicians or engineers, it's infinity because the amount that you normally invest with investors is as close as you can get to none. On the businesses that I buy now, in the last 25 years, I put up money for attorneys and CPAs which you don't have to do because they'll ride along with you. I may have expenses for traveling to different cities, but everytime your investors are told one thing, "At close of escrow, I'm pulling back all the money I invested." So, how much have I invested in the last 25 years? Nothing. I've invested time. I've invested money, but I've gotten the thing back at the close. I've never had any investors complain about the fact that I'm pulling the money back. So, since they know that, they know that their money is putting the deal together.

Okay, let me tell you why we work with real estate investors. Number one – I go to the meeting. I'm very well known for 30 some years. Most of these people have been through my seminar so, we have a relationship there. I've been pitching this at real estate meetings probably for 30 years now, and all we do is we say to them, "You have free and clear an apartment building in Chicago. It's free and clear. You're cap rate is ten percent. In other words, the thing is worth three million. You're earning a ten percent return on it. If you invest in this business, we'll give you a 20 percent return." Right? Which is 20 percent more than they're getting now."

So, we're going to give them a 20 percent more return. The average business has more growth than real estate. So, we're going to give you more growth, and the minimum growth we ever have is ten. In all the companies that we have in Mexico, we did not have one year where we did not increase our sales and profit 25 percent, which you can do if you concentrate on it. Okay, but we're talking to them about ten.

So, first of all, you're getting more money return. You're going to have more growth, and the other thing is comparable risk. Those are the only three things you have to think about with an investment. On comparable risk, although people are always saying that real estate is very safe, and it's the way to go, if you and your attorney and CPA go out to the market and check on the failure rate of the companies that we're working on, you'll find that our failure rate on every one of the ones I work on is less than anything you can do in real estate. So, you have three things – more return, more growth, comparable risk.

MICHAEL: Let's talk about that comparable risk. I mean, just from me hearing your answer to that, real estate values you have no control over, a business you have a lot of control over, and do you think that plays a part in less risk with the businesses that you're working with compared to real estate?

ART: Well, one of the things you have with business in the category we're in maybe around ten or 20 years, manufacturing just on its nature because it doesn't have the failure rate that other businesses have or real estate has. You see for years, real estate brokers were out there saying that there's no downside, there's no danger, and you could have management free real estate. You talk to any one in this country that owns apartment buildings and stuff like that, there's no such thing as management free.

Our businesses are management free. Why? Because we have managers there that don't bug us. We have less management problems then the average person with real estate, you know the people at our meetings that have real estate, the brokers or their clients do. Over the years, probably 99.9 percent of the people I work with that own these million dollar pieces of real estate got their money from the business they own.

So, the problem I had at those meetings was not talking to the investor. It's getting by the broker because the broker doesn't understand business. So, when I bring up business at a meeting although it's making a couple million dollars a year, they're very nervous about it. So, I always say, "Look. You have a client. He has his property. Why don't we go back to New York and sell it?" It cost me a lot of money flying all over the country, but the thing is once I get there the broker finally realizes, "My god, I almost killed a good deal here. My seller and Hamel get along perfectly." Why? Because they're both business owners.

So, the difficult thing is getting people off their duff to go out and find a business, and go out and go as far as the can. Now, once they get to the point even before