



# The UOA Report

## Updates...Outlooks...Analysis

May - June 2009

### FINANCING OPTIONS TO PURCHASE A BUSINESS – FAMILY & FRIENDS

First, prospective business owners have the challenge of obtaining the cash necessary to make the purchase. In these days, some banks have made borrowing difficult, and even SBA loans may have requirements that are too stringent to meet. An option worth pursuing is obtaining financing from the seller; another is to seek help from family and friends.

It is not unusual to pursue borrowing money from family members and/or friends as a method to secure small business financing. The positives are obvious. There is trust, familiarity, and a general comfort level when working with those who know you. The negatives are also obvious as well: "doing business" with family and friends comes with special cautions of legendary proportions. We all know that family ventures can be complex and stressful, can stir up "bad blood" and create ill will. However, by approaching this carefully, buyers can take advantage of friendly financial help.

#### 1. SET UP A CASUAL MEETING TO INTRODUCE YOUR IDEAS.

This is an opportunity to "test the waters" with friends and relatives on a casual basis, making certain they see it as strictly a fact-finding meeting. Anyone not interested or financially unable to be involved has the opportunity to voice their sentiment without feeling obligated.

#### 2. PRESENT YOUR BUSINESS PLAN.

Those who have a genuine interest should be treated with great respect and professionalism. A formal business plan that includes detailed financial information, and a carefully drawn business contract should be presented at this gathering. You may want to consult a business professional to help identify an acceptable schedule for repayment based on appropriate interest rates. By taking the time to formalize your Business Plan, your investors will see you as more credible and be more confident that the venture will be successful. Nothing inspires more confidence from investors than a carefully prepared plan.

#### 3. THE STRUCTURE OF THE PROPOSED BUSINESS.

Identify the amount of authority and voice investors will have in the business. This is a very important decision. Be sure all parties understand how the entity will be structured, whether it will be a simple investment or some type of partnership. Once the structure is agreed upon, commit it to writing.

#### 4. MAINTAIN INVESTOR INVOLVEMENT.

Once the business is purchased, and the new entity is operational, keep friends/family investors informed and updated on the progress of the business. By maintaining good communications with investors, you will receive their vote of confidence in both positive and negative situations.

### BUSINESS EXPENSES

Percentage of Goods & Services Purchased by Companies with Less than 100 Employees

Banking Services .....	74.9%	Temporary Help .....	50.8%
Truck Purchase, Rental, or Lease .....	69.2%	Web Development .....	50.5%
Advertising Promotion .....	65.3%	Travel Arrangements .....	48.3%
Automobile Purchase, Rental, or Lease .....	64.1%	Security Systems .....	46.0%
Freight, Express Services .....	62.7%	Consultation Services .....	44.3%
Printing Services .....	58.9%		

Source: MRI, 2007

### ACCORDING TO A 2007 SURVEY BY GOOGLE BUSINESS

- Fifty-five percent of small businesses rated themselves as "fair" or "poor" in terms of having a documented disaster recovery plan or an exit strategy.
- 72% of those owners said they had no immediate family or friends who would be interested in buying or taking over their business.



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