



How to Buy a Laundromat

IT IS STILL A BRUTAL ENVIRONMENT OUT THERE FOR SMALL BUSINESS. TIME TO BUY IN.

lead a pretty glamorous life. My DVDs are Blu-ray, I attend weddings of the century, and most of you reading this have seen a political spot I made for a candidate who won.

So, naturally ...I'm dying to buy a Laundromat in Westfield, New Jersey. It's on my mind a good bit of the time. I visit it on weekends, at night, or right after a blizzard, checking the level of traffic and how many people are buying little boxes of Tide from the vending machine on the wall. It turns out you have to pay sales tax when selling soap in New Jersey, and I need to know how much soap I might sell.

On January 5, Drudge included the following headlines: "World Food Prices Rise to Record," "Commodities Outlook: \$100 Oil and \$1,500 Gold," "Dollar Fade: World Bank Issues 1st Yuan Bonds in Hong Kong." The White House itself lost almost \$80 million in value in the last three years. Whether or not you believe, as I do, that the policies of its occupant have caused our national plummet into an Albanian-style economy, the fact is that the country is still in deep trouble. And small-business owners have been hit harder than anyone. Ineligible for bailouts; unable to raise prices; viewed by overspending governments at every level not as a contributor to society but as

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a fat target for taxes, fees, and regulation; and facing the threat of extinction from technological change and untaxed Internet competitors, the shop owner on Main Street is finally ready to capitulate. And the cruel irony is that there's no one to capitulate to—potential buyers cannot secure financing and the sellers grow that much more desperate to unload. Which is to say... it's good news for the 22 washers and 16 dryers that constitute the awesome small business that's about to enroll in the KK School of Management.

If you too are feeling the itch to run a business, here are some things to keep in mind. The best values to be found are existing businesses. Everyone wants to create something new, but with banks all but out of the lending game, this is a terrible time to launch anything unproven. Better to find a nice little business that's been grinding out the payroll during the recession. If it can survive this, it can survive your bumbling first months as an owner.

The first thing to do is *identify a type of business to which you can add value*—through your talent for improving the product or your efficiency at lowering costs or your marketing expertise. A store that has shorter hours than competitors maybe ripe for expansion. *Pore through business brokers* like Businesses-ForSale.com and start a relationship with a broker who can show you a variety of opportunities. Bear in mind that he receives a commission from the seller, so his advice isn't objective, but these guys know the lay of the land and the multiples at which like businesses

usually sell—low for a mature business, higher for fast-growing businesses. Also keep an eye on Craigslist, which is filled with owners just throwing up "what if" ads but will at least provide points for comparison and a sense of how many competitors are also for sale.

Once you've settled on a target and have approached the owner, it's time to perform due diligence. *Be a total dick.* Ask for verifiable records, not just the seller's word—get bank deposits, tax returns, leases, articles of incorporation, utility bills, payroll. And remember to scrutinize contracts and liabilities, because you're buying those as well. Get a Dun & Bradstreet credit report on the company.

Most of all, *use your own eyes and ears.* Ask the seller why he's selling. Ask customers what they like and don't like about the business. Ask employees about the business, and if the seller won't let you, ----- get your friend to do it. Throw your weight around.

The seller hasn't been inundated with offers, and, honestly, you shouldn't want this business so bad that you're not willing to walk away.

And now that you've agreed on a price ... *ask the seller to consider financing part or all of the sale.* Ask for a low down payment and the balance at a low interest over seven years. Obviously, this will help finance the deal, but there's more: Keeping the owner involved is good for you, and it's good for him

(which is good for you). *You can't afford this business if acquiring it is going to take every penny you've got.* Business cannot be expected to be as strong at the beginning of your tenure as a new owner as it was at the end of the seller's. Things break, people quit, vendors raise prices, hassles emerge. And it's the best thing in the world.

I know. If all goes well, by the time you read this, I'll be putting people to work and trying to make a dollar and a cent.