

Ian M. Berkowitz

Be selective when looking for the 'right' money, lender

It seems like every day, I am receiving a call from someone who is ready, willing and able to buy a business. More often than not the buyer is working for someone else and has finally gotten the ultimate itch of being his or her own boss.

Many have planned for such a day and have mapped out their strategy for acquiring the business. My clients seem to have it all figured out that once they become the owner, they will move ahead with their plan of improving the operations and increasing the business's revenue. However, I often see that the single largest component of acquiring a business put on the back burner is finding the "right" money needed to acquire and grow the business.

An overwhelming number of businesses are bought with third party financing. Third party financing can come in a variety of forms: private lenders, family, friends and others are often sought to help lend money to a budding business owner to buy a business. If that is an option for you, I would highly recommend that you document everything by putting all terms and conditions in writing between you and your private money lender. Prepare and execute promissory notes and security agreements so that there is no misunderstanding as to how the money is coming to you and - more importantly - how it is going to be repaid to the private lender.

Banks are available

Many of you may not have that type of relationship available or may not want to mix your personal relationships with your business relationships. Your alternative is to work with a bank or financial institution. We in South Florida are extremely lucky as we have as many choices of banks and lenders as we do Chinese restaurants. But the question is how do you choose the "right" lender for you?

Lenders come in various shapes and sizes. No two are alike. There is no one common thread that links them together except for the fact that they all lend money. All have distinct criteria, rules, goals and preferences. Some lenders love businesses in a specific industry and others won't touch them with a 10-foot pole. Some lenders will lend to anyone and others will only lend to people who have perfect credit. Some will require you to pledge collateral and cover 100 percent of the loan amount and others will take less.

Lend me a lender

Finding the right lender is similar to finding the right "significant other." In essence, you need to "date" in order to see if the lender and what they bring to the table is right for you. It is extremely important to ask as many questions up front to your prospective lender and make sure that you feel very comfortable with their answers.

Are they accessible and responsive to you? Can they provide you with the best rate and terms in or



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der to sustain the maximum cash flow? Are they committed to your success and can they support your needs in the future as your needs grow with the business? Finally, is their decision to lend to you based upon your entire picture or just a few parts of your puzzle?

I strongly advise my clients to shop around and don't be afraid to make a lender work for your business. You definitely have options and you should never let a lender think that they are the only game in town.

One last tip is to make sure that you don't rely on marketing and advertisements to choose the right lender for you. What you see in an advertisement is not always what you get.

Ian M. Berkowitz is a former attorney/advisor with the United States Small Business Administration in Washington D.C. During his tenure with the Federal Government he specifically worked in the areas of disaster relief for homeowners and businesses and government contracting. He is currently a practicing business and real estate attorney in Boca Raton. In addition to his law degree, Ian also holds a Masters Degree in Government from The John Hopkins University.