

## Done Deals with Foreign Buyers

By **Jeffrey Paquet, CBI** | CenterPoint Business Advisors

BizQuest recently published an article that responded to a question from a foreign national about buying a business in the U.S. It is an important topic for buyers, sellers, and brokers alike. Exchange rates and demographic shifts in Europe are driving buyer demand for businesses in the United States.

I would like to clarify one of the points that implied that foreign nationals are not allowed to finance the purchase of a business. I recently sold two businesses to a couple from another country. The purchase of the business was financed by third parties and there was no financing from either of the sellers. The source of the confusion around this point may come from the fact that foreign nationals are not eligible for SBA loan programs.

In my deal the buyers purchased the businesses through the E2 Visa process. Under this process U.S. visa officials want to see a sizeable equity injection of 50% or greater of the total purchase price. Bank financing is permitted if it can be obtained. The application process can be time consuming and there is no guarantee that the deal or buyers will be approved by visa officials. This introduces levels of complication and risk that must be carefully considered by both parties. Patience, persistence, and risk tolerance need to be in ample supply for everyone involved.

The buyers in this deal were able to establish their personal balance sheet with a lender by providing bank statements and documents that proved ownership of real estate in the other country. The bank also pulled an international credit report. The bank was comfortable without SBA involvement because there were substantial tangible assets being purchased as part of the transaction that included real estate. There was also the sizeable cash injection by the buyers.

Even with substantial assets and cash there was still a gap between financing and the funds required. After some additional effort by the broker and bank this deficiency was covered by a state and federally funded, economic development organization. This organization provided financing in second position behind the bank. It is interesting to note that the primary source of this capital originated from the U.S. Department of Agriculture. Even though the two businesses had no involvement in the agricultural industry the USDA administers programs to promote economic development in rural areas. They also had no restriction on the use of these particular funds by foreign nationals.

Unfortunately an additional obstacle presented itself late in the process. One of the businesses purchased sold beer and wine. In my state only foreign nationals that already have a green card are permitted to obtain a liquor license. The E2 Visa process does not grant the buyers a green card. However, after many phone calls, and persistence by the buyer's attorney, the Secretary of State granted the buyers a special exception that allowed them to obtain the license. We went to closing.

I think that there are several important lessons that can be learned from this experience:

- Federal and State governments welcome economic development through foreign investment.
- The SBA and the seller are not the "be all and end all" of financing solutions for small business transactions.
- Financing needs can be thought of as a pie. It can be dolled out into pieces to be consumed by all willing to come to the table.
- The word "impossible" should not be in a broker's vocabulary when you have a willing buyer and a willing seller.

Done Deal...

### About The Author

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Jeffrey Paquet is Certified Business Intermediary (CBI) with CenterPoint Business Advisors. This Littleton, NH firm specializes in providing consulting, valuation, and brokerage services to owners of small and medium sized businesses. CenterPoint provides services in multiple vertical markets, and over a broad geography. Jeffrey Paquet recommends that business brokers become members of the IBBA and market businesses through BizQuest.