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LAUNDROMAT DUE DILIGENCE

Laundromats are purchased for a variety of reasons: a desire for business ownership, pride, self-employment opportunities, employment for a relative, estate planning, potential tax benefits, cash flow, and equity gain are examples of these reasons. You should carefully consider your resources and your reasons for making a Laundromat investment. The Laundromat business is an “all cash” business making absolutely accurate verification of income on an existing Laundromat difficult. Income and expense projection on new stores should not be taken as a guarantee of actual performance, but as a reference for comparison of investments. Laundromat salespersons are not able to provide legal advice, accounting advice, or income guarantees. Use your own judgment and have your own advisors assist you in any decision to purchase a Laundromat. You may want to consider some or all of the following in your analysis:

- 1. Meet the Seller.** The most often used verification of income is the statements of the seller. A meeting with the Seller will also provide valuable additional information on the current manner of operation.
- 2. Utility Bills.** Review the utility bills. Water bills are frequently used in a variety of formulas to give an indication of income. This method is often accurate to within 5-15% of stated income.
- 3. Books and Records.** The last three years of written records and bank statements of the Seller can assist in income verification. Three years should reveal trends of income, either increasing or decreasing.
- 4. Income Tax Records.** The Schedule C income tax forms of the Seller are private, but if afforded the opportunity, request and review them, since few owners over-report income on tax forms.
- 5. Collection Period.** You may feel comfortable requesting a period of joint collection of the coin boxes with the owner. This should not be viewed as a method of income verification.
- 6. Store Site Survey.** Observe business activity at the Laundromat at various times during the week and at different times during the day. Observe entire day on two days (Saturday and Wednesday.)
- 7. Competition Observation.** Consider the competition and the potential for additional competition. Check with city departments for appropriate permits and licenses and local leasing agents for nearby vacant commercial centers or empty lots for potential new store construction. Building records too.
- 8. Lease Review.** Carefully read the entire lease agreement and all of the provisions. Consult an attorney if you do not understand your rights and obligations. Ensure all leases and addendums are signed.
- 9. Research.** Trade journals, magazine articles, repair manuals and books on the Laundromat business are available in many public libraries, or use the web for education information. Read this entire website!
- 10. Trade Associations.** National, state, or local organizations of Laundromat owners have a variety of information available, including demographic data for the store location. CLA is national association.

NOTE: The Buyer should review all information that is available. Although sales agents can be helpful and often provide useful guidance, the Buyer should ultimately consider the risks and benefits.