

Increased cash flow through Seller Financed Transactions

“If you do not know what your options are, you do not have any...Understanding your options will improve your bottom line”.

*Geno Iorio,
Capital Profit Solutions.*

"Understanding the different ways that business notes are bought and sold can facilitate your closure of more business deals and put supplemental cash in your pocket. Introduction to several creative options that provide the sellers of a business with the capital they NEED. How to structure your business note ensuring salability in the eyes of the secondary market".

Fact:

Seller financing is typically required in our industry. Every year tens of millions of dollars in business notes are created nationwide, as buyers cannot arrange traditional financing and sellers are *forced* to carry the “paper”. *85% of the small business sales in this country are seller financed.*

Fact:

Some savvy business sellers know these notes can be bought and sold but do not realize the supplemental cash they can have available... because they do not know of a company that they can feel confident with... *until now.*

Why is it *crucial that* you get to know Capital Profit Solutions?

Hundreds of millions of dollars in privately held, seller financed business notes are in existence as we speak. More are created **by the hour**. Most sellers (like you) are entrepreneurial, selling one business to invest elsewhere, possibly **another business venture**. Eventually, the majority of these noteholders have a need for the capital that's tied up in their note.

As business professionals, you are aware of how critical it is to insure that you are able to leverage as much of your assets as possible. We are available for you when you have a need to **receive capital out of the note**, and not have to sit on 4-6 years of smaller monthly payments.

- 1) We help supplement the cash needed beyond the down payment received at closing. The buyer may have \$50,000 cash to put down...but a seller may actually need \$70,000. The buyer cannot come up with the additional \$20,000...the deal died.

Our company can locate the funds to supplement the missing \$20,000 through a partial assignment of the new note following a minimal seasoning period (2-3 months), subject to all due diligence and underwriting criteria.

- 2) Problem example: Your capital is tied up in the seller-financed note. Allow Capital Profit Solutions. to demonstrate the various options that are available to you, we help you **get liquid.**

...Important...Important...Important...

**Capital Profit Solutions can
provide *supplemental*
cash through the
liquidation of existing
Seller-financed notes...**

The secondary market, where business notes as well as all other income streams are bought and sold, considers seller-financed **business notes** to possess the **highest risk** of all major note types.

As such, the **yields** that business notes are purchased at are **one of the highest in the industry**.

Business note yields start in the 20% range and go up based on a variety of factors such as:

Buyer credit scores

Cash equity at closing

Buyer experience in this type of business

Continual Longevity of the business at its present location

Historic income and expense of the business in question

Seasoning on the note being sold (pay history)

Personal or corporate obligation on the note

Why are the discounts so high in the business note arena?

Business notes are one of the few note types for which there are **very few buyers**. Most paper investment companies will not touch a *true* business note (no real estate involved as collateral), as they are considered too risky. In most business sales, less than 20% of the value of the business is rooted in tangible, foreclosable assets (the other 80% being the goodwill of the clientele and the continued future viability of the product/service). In the event of default we rarely ever recoup our full investment, which is why the secondary market attaches such a **high "risk value"** to business notes. The comfort level we look for is **equity**, in the form of the **down payment** at the time of the sale, seasoning (or **payment history**) and **payor credit**. For a business note to be salable it typically requires 30-35 % cash down, it must be in **first position** with very few exceptions, approximately 2-3 months of seasoning and strong personal credit on the Payor.

Additionally, the **time remaining** on the note has a direct effect on the value of the remaining payments. The longer we must wait for the return on our investment, the less valuable the note is in *today's* dollars. Every day that goes by, **inflation, cost of living**, etc., reduces the buying power/value of the monthly payment. As a result, a noteholder that fully liquidates all of his remaining payments will realize the largest discount in the secondary marketplace.

Capital Profit Solutions recognized the need to provide noteholders with alternative avenues to draw capital from their business notes *without* giving away the farm through a total liquidation. The result is two creative programs. The first is known as a **"partial"**, whereby noteholders can utilize their note to receive the cash they need *now*, and retain income from future payments yet to be received. The second is a **"split payment program"** where clients can generate a lump sum now and still receive monthly income. While the majority of our clients initially express an interest in "washing their hands of the note" entirely, a full 85% eventually opt for a partials or splits. This is particularly attractive when a noteholder has a large balance owing, a large balloon or an extensive number of payments remaining. By liquidating just a calculated number of remaining payments, the noteholder can receive *exactly* the amount of cash he needs right now, **retain future income** from the payments not assigned *plus* the option to repeat the program again in the future. Better still, assuming all pertinent documents are properly recorded there may be **no cost** beyond our engagement fee to the note holder to cover UCC and administrative fee. Liquidating the entire note is the worst possible thing you can do and would be the hardest to underwrite. Unless you are in a position where you need to raise as much capital as possible, the partials or splits will always be a stronger avenue.

“Tell me more...”

Each year thousands of corporate/private held notes are liquidated in this country. Here are some of the most often asked questions we receive from our clients:

“How much is my note worth?”

The value of your remaining payments is based on a variety of factors such as the type of business securing the note, credit worthiness of the corporation or individual making the payments, payment history, financial history of the business in question, etc. Armed with an initial submission worksheet we can provide a market valuation as to the amount of cash the note is worth in its entirety, as well as several creative suggestions on pulling capital out of the future payments *without* giving away the farm.

“What information do you need to evaluate my note?”

Initially the information indicated on our submission worksheet and a copy of the Promissory Note. Eventually we'll need to see corporate tax returns on both the business that sold and the Debtor obligated on the Promissory Note, copies of the UCC-1 and Chattel Security Agreement, Bill of Sale, etc... Basically all of the documentation created at the time of the sale.

“How soon will I get paid?”

Two to three weeks is typical, assuming all documentation is in order and readily available. We close as fast as humanly possible however certain aspects are out of our control (appraisals, County and State recorders, UCC searches, document prep, etc.).

“How will this affect the person/corporation making the payments?”

The sale of your note will have no effect on the party making the payments.

The process is a simple assignment of your Secured Party position on the UCC-1 and will be **completed in the utmost of confidentiality.**

Okay, I'm hooked...how do I generate supplemental cash with

Capital Profit Solutions?

Okay, I'm hooked...how DO I get supplemental cash with

Capital Profit Solutions?

#2 Example of a deal that went through with seller financing

Seller sold a dry cleaning establishment last year.

Sale price was \$320,000.

Buyer contributed \$112,000 cash down (35%).

Seller carried the \$208,000 balance for seven years @ 10%, \$3,453/month

Seller has received one year of payments on his note. He is interested in another dry cleaning business across town.

The seller on the present listing will carry the financing as long as he can get the equivalent of 40% down, or approximately \$65,000. He **doesn't have the cash** because his capital is tied up in the long-term note.

How did *Capital Profit Solutions*. put this deal together?

Present note: \$208K @ 10%, 84 months:

\$3,453/month

Seller has received one year of payments, 72 remain

Seller needs \$65,000

Subject to all due diligence, the secondary market value for 23 monthly payments is approximately \$65,000. Seller retains the payments not touched at this time (49). Seller receives:

12 payments rec'd to date: \$41,436

Cash from the note sale: \$65,000

Future Cash retained (49 payments): \$ 169,199

Total income over the life of the note: \$ 275,635*

Best of all the seller can liquidate the 49 payments retained at anytime in the future.

* Present balance on the note is \$186,390...receiving over \$100K on balance plus required \$65,000

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