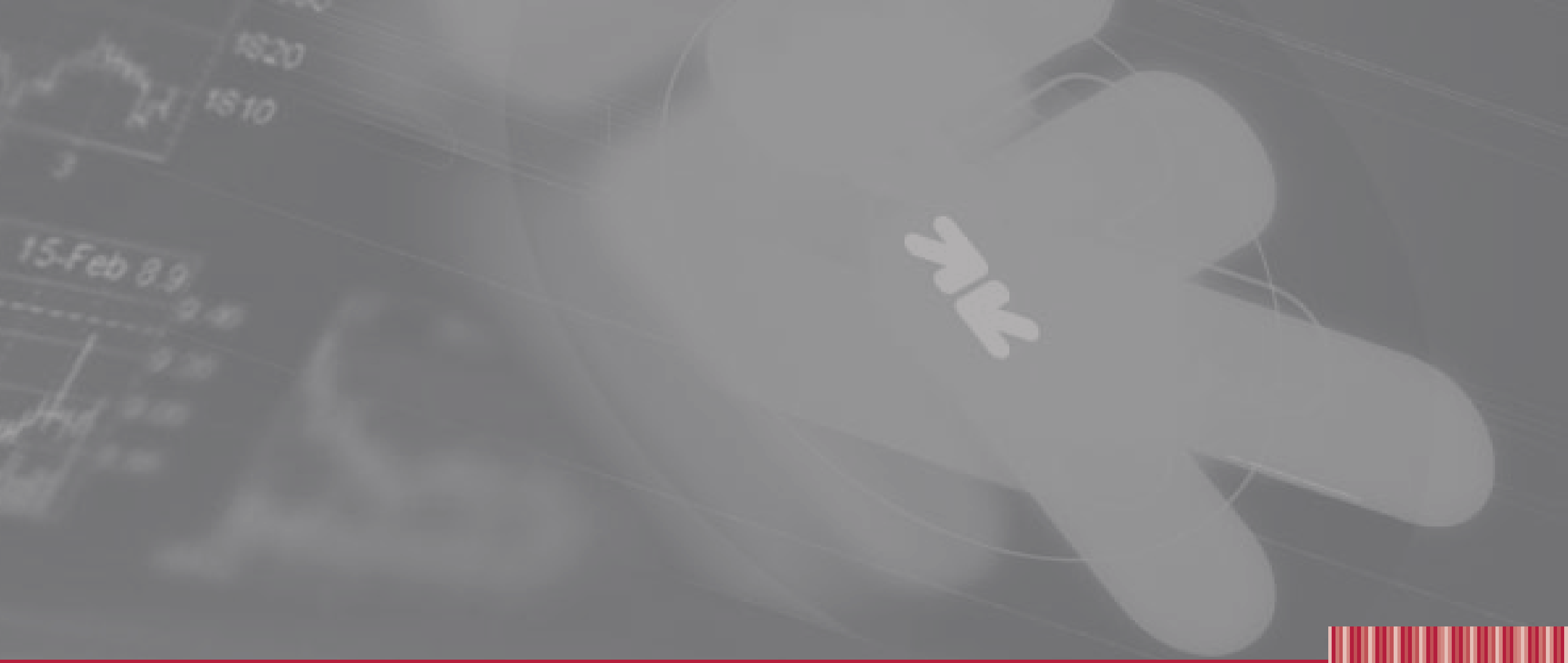

Advantages
Of Financing the Sale:

In the U.S., people rarely buy a business for all cash. In fact, studies show that the most successful and profitable transactions are financed by the seller. Your Morgan & Westfield broker is intimately familiar with the numerous advantages and benefits of seller-backed financing, including those listed below.

- **LOWER TAXES:** You only pay taxes on money that you receive. When financing the sale, you do not pay taxes until you receive the money. If you receive all cash, you may be pushed into the highest tax bracket for the year.

- **HIGHER SELLING PRICE:** Financing the sale often results in a higher price, often 10-20% more for the same business. If you sell for all cash, you must reduce the price 10-20%. In a study done by BizComps, all-cash sellers received 69.9% of asking price, while seller-financed businesses received 85.7% of asking price.

- **GREATER CHANCE OF SELLING:** Few people pay all cash for a business. If you finance the sale of your business, you dramatically increase the chance of it selling and expand the universe of buyers able to consider purchasing your business.

- **ONGOING CASH FLOW:** With seller financing, it's not unusual to receive regular payments for up to eight years, including interest.

- **MORE FAVORABLE RATE:** Your rate of return is often 8-10%, higher than you could receive investing your money elsewhere.

- **GREATER BUYER CONFIDENCE:** The buyer will have more confidence in your business knowing that you are willing to finance the transaction. This expedites the sale and results in a higher selling price.

- **INCREASED BORROWING POWER:** Brokers get bombarded by people willing to buy seller notes. After seasoning the note for six months, you can often sell it if you need the cash for a small discount.

- **FASTER CLOSING:** At minimum, bank financing takes six weeks to close. With seller financing, you can wrap up the sale in as little as a few days, decreasing the change that the deal will fall apart.

- **GUARANTEED PROTECTION:** Sometimes the buyer is willing to personally guarantee the note, allowing you to sue if he defaults. You also get the business back and can quickly resell it at a discount to recover the remainder of your money.

REDUCE RISK
BY THINKING LIKE THE BANK

Historically, only a very small percentage of seller notes default, making the arrangement safer and more secure than most sellers realize. However, when carrying the note you still need to be prudent and think like a bank. Here are some simple, proven guidelines to help ensure a smooth transition and regular, timely payments:

- **FIND THE RIGHT BUYER:** Easier said than done, especially without a Professional Business Broker. A conscientious broker will provide you with the prospective purchaser's credit report, resume, personal references, and a list of banking relationships.

- **OFFER PALATABLE TERMS:** Give the buyer reasonable enough terms so that he can make a living and still afford to pay you.

- **PROVIDE ADEQUATE TRAINING:** The new buyer deserves a genuine opportunity to succeed. This can begin with proper training and a clear understanding of how your business runs.

- **INCLUDE AN "EVERGREEN" CLAUSE:** Require the buyer to maintain a minimum level of inventory.

- **RECEIVE REGULAR STATEMENTS:** Require the buyer to provide CPA–prepared financial statements as often as you like. This allows you to keep your finger on the pulse of the business and if necessary, come in to rescue an irresponsible buyer.

A MILLION DOLLAR ILLUSTRATION

The following example compares annual and total funds received between a seller-financed sale and one that's all cash. Based on a BizComps study, it shows that sellers who offer terms can receive as much as 85.7% of the asking price, while businesses selling for all cash receive considerably less—typically 69.9% of the asking price. The example is based on a price of $1 million. Please note that this data is presented as an example and not a promise or guarantee of returns.

Selling price w/terms	$857,000
Selling price — All cash	$699,000

Amortization assuming a 50% down payment ($428,500) at 10% interest amortized over 60 months (5 years):

	Cumulative Payments *(interest and principal)*	Total Money Received *(including down payment)*
Year 1	$109,251	$537,751
Year 2	$218,503	$647,003
30 months	$273,130	$701,630

After just 30 months, you would have received $701,630 in total payments including interest and principal. This exceeds/equals the amount you would have received had you sold for all cash. It takes just 30 months to equal the price had you sold for all cash! The rest, as they say, is gravy.

Year 3	$327,756	$756,256
Year 4	$437,008	$865,508
Year 5	$546,261	$947,761

$947,761 - $699,000 = $248,761 excess if you carry the note !

THE BOTTOM LINE: NEARLY A QUARTER MILLION DOLLARS MORE

After five years, you would have received $947,761 in total payments or $248,761 greater than had you sold for all cash, resulting in a 35.59% increase in price!

[NOTE: The above illustration is an estimate only, and does not include estimates for taxes, broker's commission, liabilities paid at closing, and other closing costs. A seller should perform his/her own calculation along with their CPA in determining the most suitable financing structure.]