

2008



THE PREMIER  
BUSINESS  
MANAGEMENT FIRM  
FOR EMERGING AND  
GROWTH COMPANIES

We're On The Web  
[strategicbusinessgroup.com](http://strategicbusinessgroup.com)

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See **FRANCHISE FINANCE**  
at our website to learn  
more and get documents  
to start your plan.

We offer franchisees a  
fixed price to help them  
create their Business  
Plan.

We provide our clients  
with templates to assist  
them in creating a de-  
scription of their business  
opportunity and to create  
a realistic profit and loss  
plan.

We provide our clients  
with checklists and other  
information to help them  
gather the information the  
lenders require.

## Business Financing Basics

### BUSINESS FINANCING BASICS

If you're one of the 6-million Americans who are currently working and say they plan to strike out on their own and start a new business in the next 12 months, many of you will purchase a franchise.

Purchasing a franchise is a very effective way to start a business. Successful franchisors have developed, tested, and proven a formula that can help new business owners avoid the numerous problems that any new business encounters. You will want to select a franchise that you have a passion for. Take your time and seek assistance to select the best fit for your skills, knowledge, personality, and financial capacity. Remember this is a long-term investment of your time, energy, and assets!



We help franchisees and owners get the money they need to open and grow their business!

Continued on reverse side

For most prospective business owners this is their first time starting a business and there is a huge difference between working in business and starting your own business even if it's a franchise business. You must deal with landlords, contractors, vendors, suppliers, government inspectors, insurance agents, and tax authorities, all the while attempting to maintain your sanity.

After selecting the business you want to start the most difficult and time consuming activity is finding a location that meets your business needs (access, visibility, demographics, and price). You can start your financial planning but you can't complete it yet because so much hinges on the location i.e. total square feet, tenant/leasehold improvements, landlord's contribution (if any) to tenant improvements, timing of the landlords payment contribution [some pay only after the work is done and the business has been open for 30-days], amount of equipment, furniture & fixtures and timing the delivery to match the construction completion, to name just a few issues.

### LET OUR GROUP HELP YOU

- We have assisted many franchisees to obtain long-term financing for their first or second store. *With our guidance from application to cash can be less than 90-days!*
- Our templates help you think through the issues critical to opening your franchise i.e. leasehold improvements, equipment, inventory, training, signs, opening costs, and working capital.
- Our client's have their revenue plan reviewed by our Group and receive helpful suggestions to consider to improve their profit and loss —critical to get financing.

## COMPARE LEASING TO A LONG TERM LOAN:

**Leases are easy to get but their effective cost is high and early repayment is not a real option. Leasing doesn't provide all of the financing a new business needs!**

**A long-term loan provides all of the financing for the business including owner's salary, low payments, lower effective cost, and prepayment savings.**

**Using our lenders you need less cash to acquire your business, have lower monthly payments and get the all the funds you need to succeed!**

**We offer our clients a low fixed fee to help them create their business plan and get financing. We do millions of dollars in small business financing!**

## Financing Your Business

**CASH** to open or expand your business — Where do you get it? — What are the options and costs?

**Leasing:** A lease is not a loan. It's a contract to rent for a specific period of time with monthly payments. There is no interest rate because it is not a loan. If the lease has an option to allow you to purchase the equipment at the end of the lease it is really a "rent to own" lease. Leases *imply* an interest rate but the real way to determine the cost is to compare a lease to a loan. At our website we provide a link to free loan software; enter the cost of the equipment, the term and interest rate, and the software will compute the payment. Keep increasing the interest rate until the loan payment roughly matches the lease payment and you have the "effective lease rate". **Effective rates vary from 11% to 50%.**

▶ Benefits are quick approval and no other collateral required.

▶ Negatives are high cost, prepayment is equal to the unpaid months remaining. No funds for other business needs; tenant improvements, grand opening costs, and working capital.

**Leasing & Personal Cash:** Leasing can get you the equipment but not the franchise fee, tenant improvements, soft costs, i.e. insurance, grand opening expenses, advertising funds, legal fees, and working capital — the difference between monthly sales and your expenses until monthly sales exceed expenses, which is generally around the 7th month!

▶ Benefit of leasing and personal cash— It allows you to open your business sooner than getting a loan. Leases do not look at your business to repay the loan but you individually!

▶ Negatives are high lease payments increase your working cash needs, most people don't have enough cash to advertise effectively, and they seldom can draw a salary from the business during the first year. A lack of working capital delays the business's ability to grow and be profitable.

**Loans:** Most banks will not consider making a loan to a new business — too much risk!

**SBA Loans:** Lenders are more willing to loan a entrepreneur money to start a new business if they can get the loan partially guaranteed (usually 75%) by the US Small Business Administration. The guarantee reduces the lender's risk but does not eliminate it.

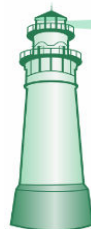
▶ Benefits are that the loan includes everything needed to open and operate the business; franchise fee, training, tenant improvements, equipment, signs, inventory, grand opening costs, advertising, legal, and working capital — including a small salary for the owner/manager for the first year! The monthly loan payment is less than most equipment leases.

▶ Benefits of a loan include the lender requiring the entrepreneur to think through the entire process developing realistic plans and budgets so that their success is dramatically improved!

▶ Our lenders usually require the business owner to invest only 25% of the total funds required and a 10-year loan repayment that lowers your monthly payments.

▶ Negatives are— the lender requires a Business Plan that explains the business model, the reasons it should be successful, 3-year pro forma financial projections detailing income and expenses and showing the ability to pay loan payments. Additionally the lenders require the entrepreneur to provide details for tenant improvements (plans, specifications & bids), bids for equipment, furniture & fixtures, signs and other physical assets.

**CALL US TO SEE HOW WE CAN HELP YOU!**



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