



USING BANK FINANCING TO EXPAND YOUR OPTIONS

Whether you're considering selling your business externally to the best qualified buyer, or internally to a team of proven successors, bank financing solutions can provide powerful tools to reshape or accelerate your plans.

In years past, bank financing for buying and selling financial service and advisory practices has been almost non-existent. FP Transitions facilitates lending and funding solutions that can provide a retiring owner with the ability to quickly “cash-out” of the business if need be. Owners have been empowered to decide exactly when they'd like to step away from the business, how they want to exit (internal or external sale), and still receive fair market value at preferential tax rates for the business they've built.

In the past two decades since FP Transitions first launched and subsequently orchestrated the open market concept for independent practice owners, the rule in almost every transaction has been that of “seller financing.” Strong, well-positioned third-party buyers paid a substantial down payment (30% to 40%) out of cash reserves, and then dedicated the acquired cash flow to paying the balance in 3 to 5 years. The result is what we termed a “shared-risk/shared-reward” transaction and it has worked well. But buyers who are a great match for a seller and well qualified in terms of skill sets aren't always financially strong, and that can shift 90% to 100% of the financial risk onto the seller's shoulders.

LENDING PROTOCOL:

The FP Transitions financing program will generally fall within these boundaries:

- *loan amounts between \$400,000 and \$5 million;*
- *interest rates often prime plus 1.75% to 2%;*
- *loan decisions in less than 10 days;*
- *loan funding in as little as 45 days;*
- *25% “equity infusion” is often required, whether from a cash down payment, seller carry-back or both;*
- *and 10 year repayment terms.*

The ability to professionally finance an independent financial services transaction provides a powerful new tool when used correctly and as part of a well-constructed plan designed to maximize client retention and tax benefits, while minimizing the party's risks. Bank financing provides a business owner with the option of opting out of the sometimes lengthy seller-financing process at a time of his or her choosing and leaving the buyer with an extended refinancing period.

Bank financing has the ability to substantially reduce the amount of seller financing that is needed, and it expands the field of potential buyers/successors to find the “best match” almost regardless of financial strength. In addition, it can shorten the time it takes for the seller to be paid in full while elongating the time the buyer has to pay off the purchase

price out of the acquired cash flow. Transactions can be 100% bank financed, but most deals will benefit from providing incentive for the seller to assist with the transaction. Owners who are pre-approved can use this strategy at any time to initiate or accelerate their transition. The FP Transitions financing program relies on lending sources that provide industry specific solutions tied to FP Transitions' Comprehensive Valuation Report, the leading valuation in this industry.

FP Transitions is the nation's leading provider of equity management, valuation and succession planning services for the financial services industry. FP Transitions operates the largest open market for buying and selling financial service practices in the U.S. Since opening its doors in 1999, FP Transitions has completed more financial service transactions than any investment banker or business-broker in the country. FP Transitions' expertise also includes continuity planning, practice benchmarking, compensation studies, entity formation, mergers and acquisitions, and equity compensation strategies.



FP TRANSITIONS[®]

4900 Meadows, Suite 300
Lake Oswego, OR 97035
p: 800.934.3303
f: 503.452.4205
www.fptransitions.com