benetrends FINANCIAL

INNOVATIVE FUNDING STRATEGIES

For Voda Cleaning & Restoration Entrepreneurs

voda™ CLEANING & RESTORATION

UNDERSTANDING THE OPTIONS FOR *funding your business*

WHAT IS THE BEST SOLUTION?

Maybe it's an idea for a new business that you've been nursing for years, and you're finally ready to make it a reality. Or maybe you've found an existing business for sale that you are convinced you can make even more successful as its owner. Or, there's a franchise operation that you've been watching and admiring, and now you've decided that you want a piece of the action.

No matter which of these scenarios applies to your situation, there is one crucial common denominator: the need for funding. And just as businesses come in all shapes and sizes, so do the options for funding them. Based on your timeline, risk tolerance, credit history, and other factors, the best option for you might be a single solution or a combination of several options.

With so many options available for funding a new business, it's more important than ever to ensure your funding strategy is appropriate for your individual needs. One mistake entrepreneurs often make is underestimating their capital requirements.

As a result, undercapitalization remains one of the most common reasons businesses fail today. Many entrepreneurs believe they only need sufficient capital to cover their startup costs and open the doors, then after that their customers will keep them open and profitable. Unfortunately, that is not often the case. Every new business has a "breakeven" point – that moment when the cash they receive as revenue is finally sufficient to cover all of the operating expenses. Until that moment, the business has to operate at a "loss". There must be adequate working capital available to get the business to "breakeven" and beyond. Often that "breakeven point" is much further down the road than the owner anticipates and his or her resources are not sufficient to get him there.

Fortunately, today there are a variety of funding programs available to suit every entrepreneur's unique funding needs. Understanding all of your options and the pros and cons of each is the first step in determining the best way to fund your business venture. The following pages detail several of the most popular options.

FUNDING STRATEGIES

MAKING THE RIGHT CHOICE FOR YOUR BUSINESS NEEDS

There are many things to take into account when planning your short- and long-term funding strategy. Below are some common questions one should consider when not only formulating the right funding plan, but when determining how to avoid the wrong one.

Are you buying an existing business vs. a startup?

Do you have the cash necessary to cover the capital injection needed for most loans?

What are your short-term and long-term goals?

What is your exit strategy?
How long will you own the business?

Chapter 1:

COLLATERAL BASED FUNDING & SMALL BUSINESS LOANS

Conventional loans can be provided by bank and non-bank lenders, but are not guaranteed by the SBA or other government entity. Any small business or franchise can apply; however, they can be difficult to obtain for startup businesses. Approval depends largely on the overall credit risk of the business.

Small Business Administration (SBA) Loans

The SBA's mission is to help entrepreneurs start or grow their business, and an SBA loan may provide the longest-term and lowest-interest loan available for your business. The most common one for small business owners is the 7(a) program, which is more generally focused on helping small businesses start and grow.

How it works:

The SBA does not directly lend money to business owners. Instead, small business owners secure an SBA loan through an authorized SBA lender (such as a bank), and the SBA provides the bank a guarantee for a portion of the loan; thereby mitigating some of the risk and incentivize financial institutions to lend money to small businesses.

The Pros:

- Typically offer more attractive payment terms and interest rates than other types of loans
- Lower down payments
- Funding available from $5,000 to $5 million (only non-profits can offer microloans under $50,000)
- Typical loan terms of 7-10 years, up to 25 years available if the project involves real estate (this is generally longer than conventional loans)
- No prepayment penalty on loans with a term less than 15 years

The Cons:

- Complex and lengthy application process requiring significant documentation
- Cash injection of 20% typically required (Note: ROBS/401(k) rollover funding can be used to satisfy this requirement)
- Stringent monitoring of the use of loan proceeds
- Strict acceptance criteria based on the 5 "C's":
  - Character: Past payment history, no criminal record
  - Cash flow: Business must have sufficient cash flow to cover debt service
  - Credit: FICO score
  - Collateral: Assets available to secure the debt should you default on the loan
  - Conditions: Economic environment

CONVENTIONAL LOANS

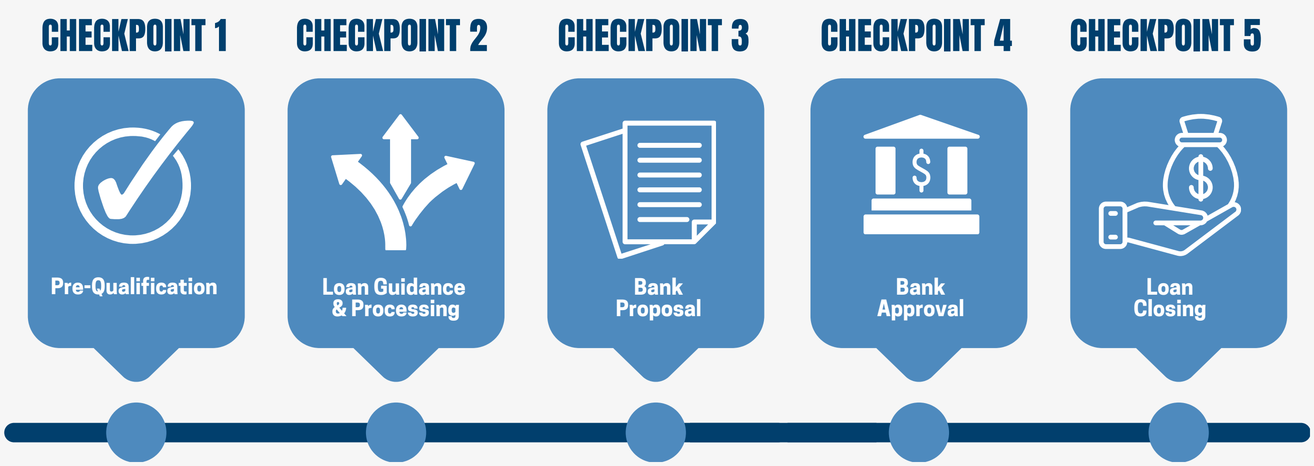
Another popular SBA loan program is the CDC/504 Program, which offers long-term financing used to acquire real estate or equipment for expansion or modernization. The borrower is expected to inject 10% of the project cost, the SBA provides an additional 40% of the project cost by selling debenture bonds, and the bank holds a mortgage for the remaining 50% of the project. Most 504 projects are in the $200K to $5 million plus range.

No matter which type of SBA program you decide to apply for, keep in mind that the process is very complicated. Because different lenders have different credit boxes and different "appetites" for a business owner's concept and a borrower's profile, knowing which lender favors the concept you're interested in (and would favor you as a borrower based on your financial and personal history) is vital to ensuring you don't waste your time going to the wrong banks only to be denied.

Because of this, you will find that securing an SBA loan will go more smoothly with the assistance of a firm that specializes in small business funding and is experienced in working with many different types of lenders. This type of partner can assist you with the entire SBA loan process, from application through closing.

What is the SBA Loan Process?

On average, the SBA loan process - from packaging to loan submission, to approval and closing - will take 60-90 days.



CONVENTIONAL LOANS

Conventional loans can be provided by bank and non-bank lenders, but are not guaranteed by the SBA or other government entity. Any small business or franchise can apply; however, they can be difficult to obtain for startup businesses. Approval depends largely on the overall credit risk of the business.

How it works:

With conventional loans, the interest rate, term length, and loan amount depend on your credit rating and business revenues. Some of the most popular conventional loans include term loans and commercial real estate mortgages. The lender, whether it's a big bank, community bank, credit union or other type, will typically require you to share an extensive amount of financial information including: personal credit history, the financial background of the business, future growth plans, and any other relevant information.

The Pros:

- Several options are available: term loans, commercial real estate mortgages, factoring, etc.
- Shorter closing times than SBA loans, in most cases
- If successful in securing a loan, it becomes easier to get loans renewed or increased
- Suitable for a wide range of business purposes (there is a little more freedom on what you can do with the money)

The Cons:

- Extensive paperwork required to process loan
- Typically require collateral, good credit and a personal guarantee from business owner
- Many lenders don't like to work with small businesses who need smaller dollar loans
- Shorter repayment time than SBA loans
- Potential prepayment penalties
- Approval rates are fairly low

SECURITIES-BACKED LINE OF CREDIT

This type of loan is backed by securities held in an investment portfolio. It is similar in concept to a home equity loan, but rather than the loan being backed by the equity in your home, it is backed by the securities held in your investment portfolio.

How it works:

Whether you want to launch a new business, expand one you already have, or utilize a bridge loan, this type of funding can provide you with the immediate funds to do so by allowing you to collateralize your investment portfolio, without disrupting your long-term investments, asset allocations or creating unexpected tax consequences.

The Pros:

- Cash needs are satisfied without selling securities/assets/investments
- Keep your long-term investment strategy in place, with all investments remaining in your name
- You keep all appreciation and dividends from your portfolio
- Easier to obtain and have lower rates than other alternatives (SBA loan, unsecured loan, and other forms of credit)
- Avoid selling stocks and generating capital gains
- Typically receive approval within 48 hours and are fully funded within 10 days
- Ability to borrow 70%-95% of investment portfolio

The Cons:

- Can be risky since market fluctuations could cause the value of pledged assets to decrease
- If market value of pledged securities drops below certain levels, payment may be required or you could be made to sell securities to maintain equity

HOME EQUITY LOANS

Although becoming less common, some entrepreneurs still rely on their biggest asset for cash – the equity in their homes – to finance a franchise or business purchase.

How it works:

Home equity loans remain relatively easy to obtain, assuming you have the required equity in your home, as well as good credit and income for repayment – but the requirements have tightened up recently. There are two types of home equity loans: a standard home equity loan that is just like a regular mortgage in that you borrow a single lump sum and repay at a fixed monthly rate; and a home equity line of credit (HELOC), where you have access to borrow smaller funds—when needed—up to a predetermined fixed amount. The best option for business owners depends on the type of business or franchise you choose.

The Pros:

- Easier process and lower interest rates than other non-secured options
- Interest is most likely tax deductible, but cannot be used as a business expense

The Cons:

- If you don't have equity in your home, this option is not available to you
- HELOCs can have variable interest rates (based on the prime rate) that can make your monthly expense unpredictable
- Risky, especially if there is another housing market collapse
- Your home is at risk if you fail to make payments (and your business, too)
- There are typically closing costs and fees, which can vary greatly by lender

EQUIPMENT LEASING

With this type of funding you can finance up to 100% of the value of the equipment needed to start or run a business, including: computers, office furniture, company vehicles, machines, or special service equipment. This option typically includes a buyout for $1 at the end of the lease.

How it works:

Most businesses can qualify for this type of financing, but the loan amount and interest rate are determined by the value of the equipment, business history and credit score. By leasing equipment, you'll have less initial costs than if you were to purchase outright, as well easier, more predictable payments.

The Pros:

- If you need a piece of equipment whose technology becomes obsolete quickly, leasing is usually a better option because you can acquire updated technology more easily
- Allows you to conserve capital thereby potentially allowing better cash flow
- Simple application and quick approvals
- Typically only need the first month's payment upfront
- Perfect credit is not necessary
- Potential tax advantages

The Cons:

- Could tie up credit so you can't apply for other loans
- Leasing oftentimes costs more in the long run
- Doesn't build equity in the equipment since you don't own it

Chapter 2:

SELF-FUNDING STRATEGIES

Self-funding strategies allow candidates to utilize current assets without taking on any debt or interest. This strategy can come in the form of turning to family and friends for capital, using your savings accounts, or even tapping into your 401(k).

Using personal savings/cash

Most people start their business by trying to fund it on their own; tapping their personal savings or friends or family. Unfortunately, the costs of most businesses often exceed the amount one may have access to via their own personal savings/cash.

While using this source of funding avoids debt, interest, and cost, there are some other factors to consider. Your personal cash is post-tax - meaning at some point, this money was earned at a higher amount than the actual amount sitting in your accounts. You may want to avoid using post-tax cash as your investment method as it can be used for any needs. There are also specific tax considerations to keep in mind when exiting the business and how gains on the sale of the business will be taxed.

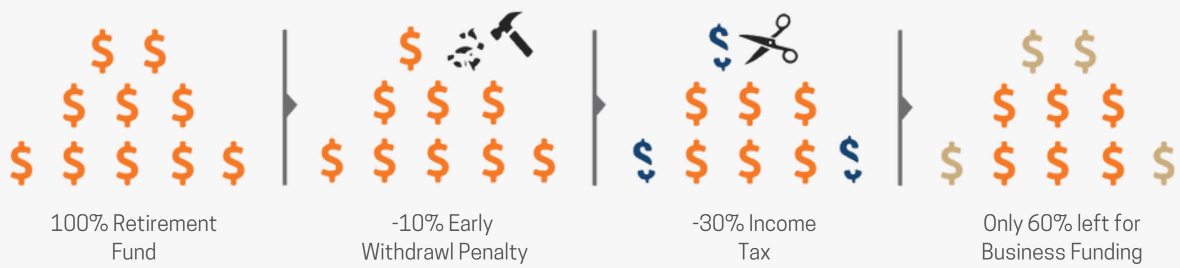
Using Your Retirement Funds

It's a common misconception that you can only use your retirement funds to purchase investments like publicly traded stocks, bonds or mutual funds. In reality, you can use most retirement plans to buy a business. However, many do not pursue this as an option because of the potential tax and penalty consequences.

Due to the significant tax advantages, many individuals have their savings locked away in retirement plans such as IRA's and 401(k)'s, which carry severe penalties and tax consequences for early withdrawal.

For example, as shown in the illustration on the next page, if you have $200k in an IRA or 401(k), and take an early withdrawal, you may be required to pay a 10% penalty and as much as 30% in ordinary income taxes, leaving you with only $120k of your original $200k.

WHAT IF YOU JUST WITHDRAW THE MONEY FOR FUNDING YOUR NEW BUSINESS?



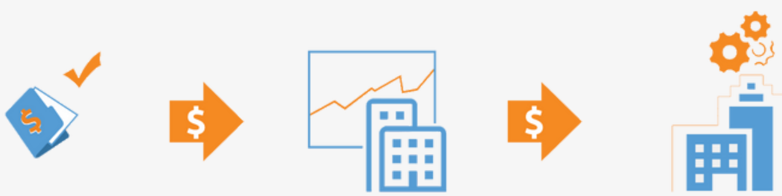
In reality, you can use most retirement plans to buy a business—tax-deferred and penalty-free. In fact, tens of thousands of entrepreneurs have used their retirement savings as a viable resource for funding a business. Before considering how that option works, let's look at an example of working with retirement funds in the corporate world:

WHAT IF YOU SWITCHED JOBS...

Have you ever rolled your retirement funds from one employer to another?
Did you have to pay taxes or penalties to do that?

WITH YOUr EMPLOYER PLAN, HAVE YOU...

Ever participated in an employer's retirement plan that allowed you to purchase stock in the company through your retirement plan?



DID YOU KNOW...

that the proceeds from that sale of stock become company assets that can be used to fund their business needs?

Using these common business practices make up the two key pillars to this funding strategy. Rolling over funds from one qualified plan to another AND a corporate structure that allows a plan to own stock in the corporation. This combination is used to create the structure of Rollover for Business Start-up business funding, also known as ROBS or The Rainmaker Plan.

THE 4 EASY STEPS

1	2	3	4
Create A C-Corporation	**Design** New Qualified Retirement	**Rollover** Bank Process	**Fund** Your New Business
Establish a corporation with customized retirement plan.	We will then design a customized quality retirement plan for your corporation.	Rollover current retirement plan funds into your new corporation's customized retirement plan.	Your new corporation now has the capital to start.

These benefits are powerful, yet easy to understand...

- Invest retirement funds in your business tax-deferred and penalty-free
- Use a safe, proven plan based on long-standing IRS provisions
- Optimize business equity and improve cash flow position from the start
- Accelerate business profitability by eliminating or reducing interest and debt
- Use the funds to pay yourself a salary from the start (pay living expenses from your salary)
- No interest payments or repayment of loans
- Secure funding fast – typically in two to three weeks or less
- Powerful wealth-building vehicle – build for the future and protect your profits
- Not dependent on your credit score (you still qualify even if you have bad credit or bankruptcy)
- Can be used as a cash injection for an SBA loan

Transforming The World of Small Business Loans

Benetrends originated 401(k)/IRA rollover funding helping over 20,000 entrepreneurs in the last 40+ years, with our revolutionary Rainmaker Plan. The Rainmaker allows an entrepreneur to use their qualified retirement plan to purchase, or recapitalize a business or franchise, tax-deferred and penalty-free.

Unlike other types of funding methods, your credit score, past experience, or on hand collateral play no role in eligibility. Instead, the main factors are the type of retirement account (like a 401(k) or IRA) and the amount of money you have in it (at least $50,000).

ROBS is also a tool for building your retirement assets. While using ROBS does mean you're taking money out of your retirement accounts, it also means putting cash back in. As you work within your business and pay yourself a salary, you'll also be contributing a percentage of that salary into a 401(k), just like you do when you're an employee at any other company. This means your retirement assets will continue to grow as you build your business.

FUNDING PRODUCT OVERVIEW

Within these different funding solutions, we offer a suite of custom funding products to best match the needs of your new business. Discover the specialized program that's right for you by looking at the qualifications for each, the amount of funding required, and more.

Funding Options	Product Profile
SBA 7(a) Loan Program Designed for start-up and existing businesses.	• Loans can be used for any legitimate business purpose including working capital, machinery, equipment, furniture and fixtures, leasehold improvements, building acquisition or construction and in some circumstances debt consolidation • Funding available from $50K to $5M • Longer terms/amortizations available
SBA Preferred Small Business Loan Program (FastTrack) Smaller amount loans designed for startup and existing businesses.	• Funding available from $50k to $150k • Loans can be used for any legitimate business purpose including working capital, machinery, equipment, furniture and fixtures, leasehold improvements, building acquisition or construction and in some circumstances debt consolidation • Interest rate: Prime + 2.75% • Closings in 30-45 days
Securities-Backed Line of Credit A bank line of credit that is backed by sufficient securities in your bank account or portfolio to use as collateral.	• Cash needs can be satisfied without selling assets, keeping your long term investment plan in place • Avoid paying capital gain if you have low cost basis stock which you would not need to sell • Keep all the appreciation and dividends from your portfolio • Interest rate is usually lower than a SBA or home equity loan • Borrow 60% to 95% of your investment portfolio
Equipment Leasing An affordable way to acquire equipment quickly without huge out-of-pocket expenses.	• $10K+ • No additional collateral / Simple application • Potential tax advantages • Fixed payments and longer terms • Existing businesses and franchises; startups on a case by case basis
Rainmaker Plan 401(k)/IRA Business Funding Access existing retirement funds to start or purchase a business, tax deferred and penalty free.	• Rollover funds from a qualified retirement plan to start a business • No early distribution taxes or penalties • Minimizes going into debt for the start-up • No business financial's are required / applies to new and existing businesses • Business sponsors a qualified retirement plan to create wealth • Can be used to expand the business or provide additional working capital • Amount and type of retirement funds determine eligibility • Up to 100% of existing funds available for use

Chapter 3:

SPECIAL FUNDING CONSIDERATIONS

If this is your first time owning a business or you are a seasoned business owner, there are special considerations with our funding strategies.

Special Strategies for First-Time Business Owners

Taking into account all the costs needed to start a business, most potential business owners find they don't have the cash resources to purchase a business or franchise upfront without some sort of additional funding.

If you find yourself in this position as well, don't be surprised if you run into a few financing challenges. Many lenders are typically more hesitant to approve loans if you don't have experience or a solid track record as a business owner.

However oftentimes this is overcome for franchises since the bank will overlook this for relevant experience as it relates to the franchise. Having said that, it's not impossible. Following are some special strategies and tips for first-time business owners:

SBA loans: While the SBA loan process can be overwhelming and complex, there are steps you can take to eliminate hurdles and better ensure approval. For example, there are funding partners (like Benetrends) who monitor what concepts, types of borrowers, FICO score, collateral, and assets lenders are looking for and can help you apply only to the bank(s) that would be the best fit for your situation. This ensures you avoid the banks that have little or no interest in your loan application, thereby increasing your chances of a quick and painless approval. It also provides you with the opportunity to secure offers from multiple lenders so you can choose the one with the best terms.

Using your retirement funds (ROBS): If you have more than $50,000 in a 401(k), IRA, or other qualified retirement plan, this might be a great option for you. There are no penalties or upfront taxes, and because it eliminates the need for a loan, your business becomes cash flow positive sooner. It also provides you the ability to pay yourself a salary until your business becomes profitable, and can be used to cover your personal expenses so your business only needs to cover business debt.

Combination of options: Many times, using more than one funding option could be your best strategy. For example, using the Rainmaker plan as the capital injection for an SBA loan is becoming more and more popular. A funding expert can help you decide if using a combination of options is right for you.

Avoid insufficient funding: One of the most important things for first-timers is to avoid starting out undercapitalized (one of the leading causes of business failure, according to the SBA). You can do this by estimating realistically for working capital and by leaving enough of a buffer to help with unexpected costs. Benetrends offers a business planning calculator to help you determine the right amount.

For franchises, start with the franchisor: If you are interested in purchasing a franchise, one good place to start for securing funding is with the franchisor, since they may already have a relationship with a preferred funding partner.

Funding Strategies for Multi-Unit Opportunities

The most important thing to know if you want to become a multi-unit operator is that how your first unit is funded affects your ability to fund future units. So if you are arranging financing for the first unit without considering how it is going to affect your ability to get additional financing, you may find yourself without any options to fund additional units.

And in the case of franchises, many larger franchises require a three-unit commitment, the most common scenario being a "three-pack" over a two- to three-year window. Here are some general tips to consider for multi-unit operators:

- Retain as much of your current liquidity as possible when funding the first location. Inject the smallest amount of capital allowed and borrow the largest amount you can qualify for.
- Make sure your initial projections are reasonable and achievable. Your success in meeting/surpassing those initial projections will weigh heavily in future loan decisions.
- Be willing to inject a larger percentage of the project costs into a second location if the first has not yet reached sustained positive cash flow. (Another critical reason to hold onto liquidity at the beginning); your increased "skin in the game" increases the lender's willingness to say yes.
- Be able to explain "why now" to the lender who wants to know why you want a second location if the first is not yet profitable. Know the economics of the concept. A second location in reasonable proximity to the first can reduce expenses and increase profitability; be able to explain how.

Questions to consider for additional units:

1. Are you on target to hit your projections?
2. Have you reached cash flow positive? If yes, have you sustained cash flow positive for six months?

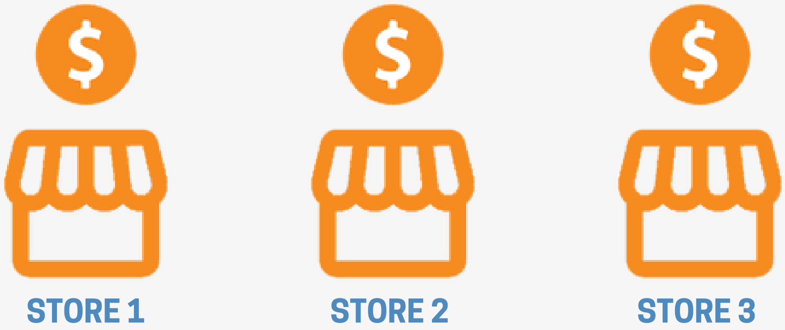
If "yes" to both – you may qualify for a business expansion loan with an equity injection of only 10% into the new location.

If "no" – you may still qualify for funding with a higher injection if you are on target with your original projections.

Note that projected cash flow for the new location when combined with the existing cash flow from the current location must provide adequate debt service ability for the total debt of all locations

The following is a typical scenario and a few strategies to accommodate for it:

Scenario:
An individual wants to open three locations in 24 months and has the capital to fully self-fund the opening of one unit with a substantial amount of cash leftover.



Note:
For all the strategies below, step 1 and 2 are the same. The difference is in Step 3 (opening location #3). The decision of using strategy #1, #2, or #3 is dictated by the success of each location. Using the strategies below ensures the opening of location #3. The only question is: How much personal liquidity will you need to inject? (10%, 30%, or nothing at all).

STRATEGY #1

Step 1:
Make a 20-30% equity injection of the total start-up costs for store #1 and finance 70-80% through an SBA loan. (For an emerging brand, you should count on 30% equity injection and 70% financing; for an established brand, 20% equity injection and 80% financing.)

Step 2:
Nine months later, inject 30% of the total start-up costs for store #2 and finance 70% through a second SBA loan. This assumes store #1 is on target with or very close to projections and that breakeven has occurred, or it is obvious from the trends that breakeven is imminent.

STRATEGY #2

Step 1 & 2:
Same as Strategy #1

Step 3:
If store #1 is only slightly profitable and store #2 has broken even or is imminently ready to do so and is hitting projections, inject 30% of the total start-up costs for store #3 and finance 70% through an additional SBA loan.

This strategy enables you to open three locations with an injection of 26-30% of the total project costs for all three locations. Financing would be obtained for the remaining 70-74% of the project. It is still possible to obtain financing for the third store, assuming neither of the previous stores is in financial difficulty and both can provide a guarantee for the third location.

STRATEGY #3

Step 1 & 2:
Same as Strategy #1

Step 3:
If significant time has passed (24 months), and the first two locations are doing sufficiently well to fully service the debt loan for all three locations, obtain an expansion loan (up to 100% of the total project costs) for store #3 if the cash flow from stores #1 and #2 can fully support the debt service for store #3. (If stores #1 and #2 can fully service the debt for store #3, then 100% financing is possible.)

This strategy enables you to open three locations with an injection of only 16% (established) or 20% (emerging) of the total project costs for all three locations. Financing would be obtained for the remaining 80 or 84%.

By following the injection method above that makes the most sense for your situation, you will have enough liquidity to accomplish a successful multi-unit launch.

Chapter 4:

A FEW LAST WORDS

Whether you're looking to build a business from the ground up or you want to purchase an existing business or a franchise, achieving funding will be one of your most important and difficult challenges. Knowing your options and choosing the best strategies for your unique situation will go a long way in ensuring the realization of your dream.

And seeking the help of a professional funding company like Benetrends will further ensure that your business gets the best start possible.

NOTE: Every entrepreneur and situation is unique. What works for one may not be acceptable for another with the exact same financial circumstances. To come up with a personalized strategy that works best for you, consider consulting with a trusted funding expert who can review your personal financial statement and take into account your goals and preferences.

About Benetrends

Founded with a Purpose

Our company provides long-term small business lending solutions that fund the dreams of entrepreneurs. We're happy to help you start up, and we stick around!

Suite of Innovative Funding Options

A true pioneer in the lending industry, Benetrends blazed a trail for 401(k)/IRA retirement funding, but we can also help you with loans for women, minorities, and more.

Complimentary Consultations

We're ready to jump in when you are! Get started at no risk without hesitation to determine your business goals, financing options, and more with a funding consult.

35 Years Of Industry Expertise

Benetrends was founded in 1983 by Leonard Fischer, a leading ERISA attorney—the original architect of penalty-free 401(k) business financing.

A Long-Term Partnership

So much can happen after you secure funds. That's why we partner with you for as long as you need us. From retirement planning to strategic growth, we're here every step.

Endless Support & Resources

Once your funding is secure, our partnership to grow your wealth and achieve success truly begins. We stand behind you and offer financial resources to continue your success.

benetrends FINANCIAL

1684 W. BROAD ST., SUITE 130

LANSDALE, PA 19446
UNITED STATES

866 - 423 - 6387
www.Benetrends.com