

DOCUMENT #31

The Blueprint System™ - Financing Mastery Series

Advanced Acquisition Financing

17 ways to buy businesses with little to no money down

The Financing Stack Revolution

- Traditional buyers use 1-2 sources
- Smart buyers stack 4-6 sources
- Result: 95-100% financing possible
- Keep your cash for operations/growth
- Buy bigger deals than you "can afford"

The Master Financing Matrix

Source	Typical %	Cost	Speed	Requirements
SBA 7(a)	75-90%	Prime + 2.75%	45-60 days	Good credit, experience
Seller Financing	10-50%	5-8%	Immediate	Seller motivation
Asset-Based	50-70%	8-12%	14-21 days	Quality assets

Revenue-Based	20-40%	15-25%	7-10 days	Strong revenue
Investor/Partner	20-100%	Equity %	Variable	Good deal/pitch
Earnout	10-40%	0%	Immediate	Future performance

Creative Financing Structures

Structure #1: The Zero Down Stack

Purchase Price: \$1,000,000 Financing Stack: – SBA Loan: \$700,000 (70%) – Seller Note: \$200,000 (20%) – Working Capital Line: \$75,000 (7.5%) – Earnout: \$25,000 (2.5%) Your Cash: \$0 Monthly Payment: ~\$8,500 Cash Flow: \$15,000 **Positive \$6,500/month from day 1!**

Structure #2: The Asset Strip

How it works:

1. Buy business for \$500k with \$50k down
2. Immediately sell excess equipment for \$75k
3. Factor receivables for \$60k
4. Refinance real estate for \$100k
5. Result: \$185k cash out, \$50k invested
6. **Net: \$135k profit at closing!**

Advanced SBA Strategies

SBA Hacks Most Brokers Don't Know

The Equity Injection Alternatives:

- **Seller Note on Standby:** Counts as equity if no payments for 2 years
- **Assets Outside Business:** Home equity, stocks, 401k
- **Buyer's Other Business:** Cross-collateralize
- **Gift Letters:** Family/friends "gift" with side agreement

The Working Capital Add-On:

- Add 3-6 months working capital to loan
- Reduces your cash needs post-close
- Often overlooked by buyers
- Can add \$100-300k to loan amount

Seller Financing Mastery

Getting Sellers to Finance 50%+

The Tax Argument:

"If you take all cash, you'll pay 30%+ in taxes this year. If you take payments over 5 years, you can use installment sale treatment and save \$200k in taxes. Plus, you'll earn 6% interest instead of 2% in the bank."

The Security Package:

- Personal guarantee (negotiate release triggers)
- Second position on assets
- Cross-default with bank loan

- Financial reporting requirements

Seller Note Structures:

- Traditional: Fixed payment over 3-7 years
- Balloon: Interest only, principal at end
- Revenue-Based: Payments tied to performance
- Convertible: Can convert to equity

Alternative Lenders Decoded

When Banks Say No

Lender Type	Best For	Typical Terms	Pros/Cons
Revenue-Based	High margin business	10-20% of revenue	Fast but expensive
Asset-Based	Equipment/inventory heavy	Prime + 4-6%	Flexible, monitoring
Mezzanine	Growth capital	12-18% + warrants	No dilution, costly
Merchant Cash	Emergency only	20-40% APR	Daily payments
Crowdfunding	Consumer brands	Equity or debt	Marketing benefit

The Investor Partnership Model

Bringing in Money Partners

Structure Options:

1. Preferred Equity:

- Investor gets 8-12% preferred return
- You get 100% of upside after pref
- Buy them out in 3-5 years

2. Split Equity:

- 70/30 or 60/40 typical splits
- You get more for operating
- Waterfall distributions

3. Debt + Kicker:

- 10-12% interest
- Plus 10-20% equity kicker
- Capped upside for investor

Government Programs Beyond SBA

Program	What It Offers	Requirements
USDA B&I	Up to 80% in rural areas	Population <50,000
State Funds	Low-interest gap financing	Job creation
EDA Grants	Up to \$3M for infrastructure	Distressed areas

New Market Tax Credits	39% tax credit	Low-income areas
HUBZone	Contracting preferences	Qualified zones

Case Study: 100% Financed Deal

\$2.5M HVAC Company - Zero Down

Deal Structure:

- Purchase Price: \$2,500,000
- Down Payment Required: \$250,000

Financing Stack Created:

1. **SBA 7(a) Loan:** \$1,875,000 (75%)
2. **Seller Note:** \$375,000 (15% standby)
3. **Equipment Refinance:** \$150,000
4. **Investor Partner:** \$100,000 for 10%
5. **Working Capital Line:** \$125,000

Results:

- Total Capital Raised: \$2,625,000
- Personal Cash In: \$0
- Extra Working Capital: \$125,000
- Monthly Debt Service: \$22,000
- Monthly Cash Flow: \$35,000
- **Net Positive: \$13,000/month**

Earnouts as Financing

Making Earnouts Work

Structure for Success:

- Base price covers seller's needs
- Earnout is "gravy" for seller
- Metrics you can control
- Shorter periods (1-2 years)
- Clear definitions

Example Earnout Structure: Base Price: \$1.5M (paid at closing) Year 1: 20% of revenue over \$3M baseline Year 2: 15% of revenue over \$3.5M baseline Cap: \$500k maximum earnout Seller gets security of base price You finance \$500k through growth Win-win structure

Accounts Receivable Financing

Turn AR into Cash

Options Ranked by Cost:

1. **Bank Line of Credit:** 80% advance, Prime + 2%
2. **Asset-Based Lender:** 85% advance, Prime + 4%
3. **Factoring Company:** 90% advance, 1-3% per month
4. **Spot Factoring:** 95% advance, 3-5% per invoice

Hidden AR Value:

- Most businesses have 45-60 days sales in AR
- Can finance 80% immediately

- \$2M revenue business = \$250k in AR = \$200k cash

Equipment Financing Strategies

Strategy	How It Works	Cash Generated
Sale-Leaseback	Sell equipment, lease it back	70-80% of value
Refinance	New loan on paid-off equipment	50-60% of value
Trade-In	Upgrade with financing	100% of new
Rental Convert	Rent vs. buy initially	Preserves cash

The Ultimate Financing Checklist

Before Closing Any Deal

Traditional Sources Exhausted:

- ☐ SBA pre-approval obtained
- ☐ Bank relationships explored
- ☐ Seller financing negotiated
- ☐ Equipment values assessed

Creative Sources Explored:

- ☐ AR financing quoted
- ☐ Investor partners approached
- ☐ Earnout structured
- ☐ Asset sales identified
- ☐ Government programs researched

Stack Optimization:

- ☐ Lowest cost capital first
- ☐ Covenants don't conflict
- ☐ Cash flow covers all payments
- ☐ 6-month reserve maintained

Financing Source Directory

Top Providers by Category

SBA Preferred Lenders:

- Live Oak Bank (nationwide)
- Huntington Bank (Midwest)
- Wells Fargo (large deals)

Asset-Based Lenders:

- CIT Group
- PNC Business Credit
- Accord Financial

Alternative Lenders:

- Lighter Capital (revenue-based)
- Clearbanc (e-commerce)
- Fundbox (working capital)

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