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# **Leveraging Lending and Financing: Strategies for Great Clips Franchisees**

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**Presented by  
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InSource Capital Services, Inc.**

# About InSource

- Founded in 2002
- Broker and Funder
- General Business Financing
  - Specialist in Franchise Financing
  - Great Clips Preferred Partner
  - *[www.FinanceGreatClips.com](http://www.FinanceGreatClips.com)*

# Guiding Principles

1. You have options.
2. No matter what, every Salon gets Financed

The best option for you can be determined based on the answers to a few simple questions.

# Guiding Principles

- First Question: What is your tolerance for Risk?
  - Collateral Risk
  - Rate Risk
- Second Question: What are your Goals?
  - Single Salon or multiple Salons
  - Develop Equity or Develop Cash Flow

# Assessing Risk: Rate Risk

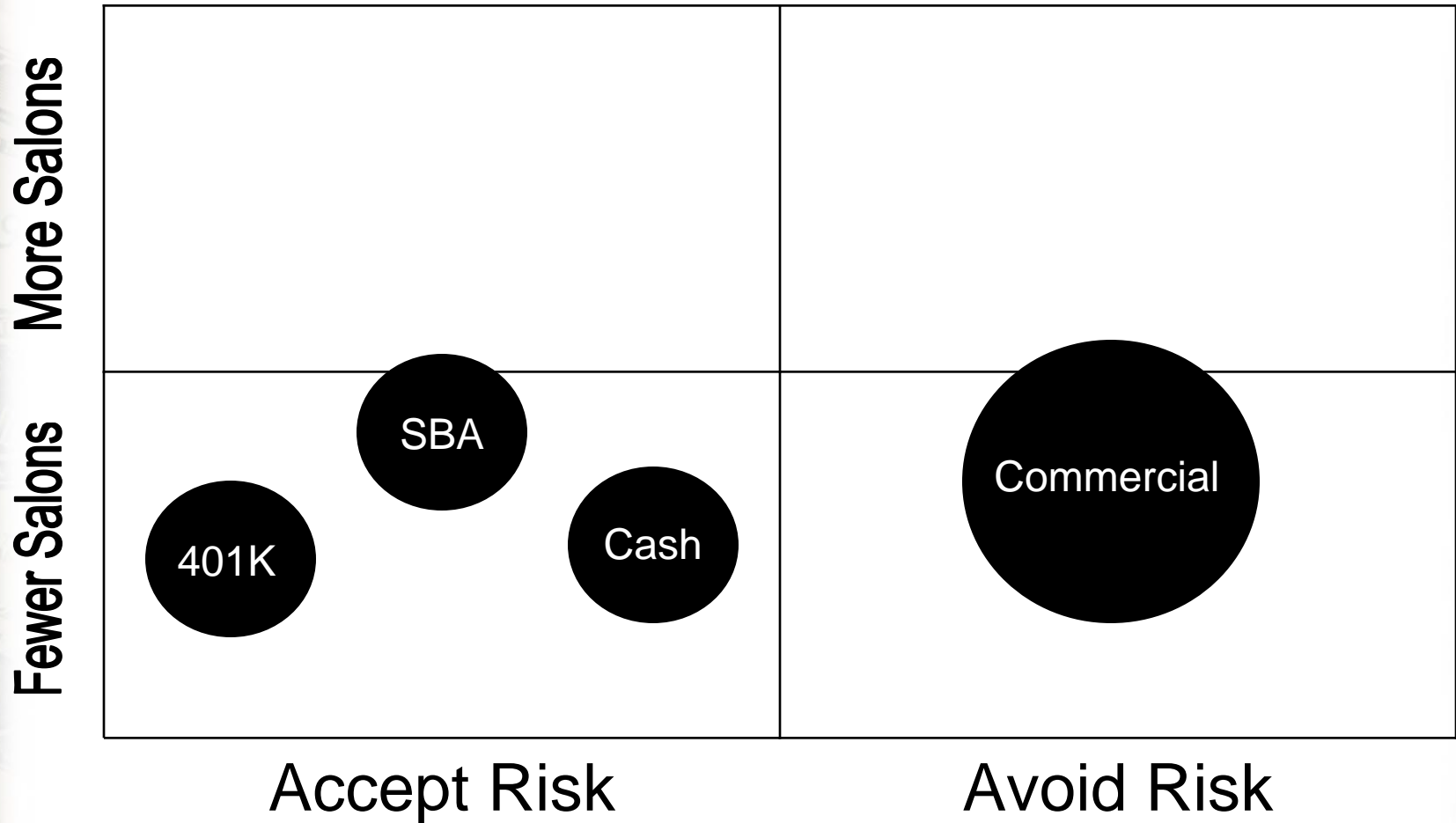
- Fixed rate or variable rate?
  - Do you think Rates will go up?
  - Do you think they will go down?
- Consumer thinking vs. Entrepreneur thinking
  - Good Debt vs. Bad Debt
  - 100 Basis Points equals \_\_\_\_\_  
haircuts per day?

# Assessing Risk: Collateral Risk

What assets are you willing to pledge?

- Most of what you own?
  - Home
  - Stocks
  - 401K
  - What % of your Total Net Worth?
- Just the Great Clips assets
  - How many Salons?
  - PG or Corp Only

# The Quadrant



# Managing Growth & Risk

- First Salon, New Build
  - Construction Line of Credit
  - Fast Start Financing Program
  - Based on Great Clips averages (UFOC)
- First Salon, Acquisition
  - % of Purchase Price
  - Cash Flow or Turnaround
- Expansion Financing
  - Based on Salon performances and overall cash flow
  - Leverage Salon Equity

# An Interesting Example

- \$100,000 Loan at 5% for 72 months from a Local Bank
- 72 payments of \$1,610.49
- Secured against checking account with minimum balance requirement of \$25,000
- Sounds great, right? .....

# An Interesting Example

- If you have to keep a minimum balance of \$25,000, how much are you really borrowing?
- *\$100,000 minus \$25,000 is only \$75,000*
- 72 payments of \$1,610.49 to pay off a \$75,000 loan is really.....

15.60%

The background of the slide is a collage of US currency, including various bills and coins. Visible elements include a portion of a \$100 bill with the name 'JACKSON', a \$20 bill with 'TWENTY' and 'FEDERAL RESERVE NOTE', a \$10 bill with 'TEN' and 'FEDERAL RESERVE NOTE', and a \$5 bill with 'FIVE' and 'FEDERAL RESERVE NOTE'. There are also several coins, including a quarter and a dime. The text is centered over this background.

**Questions?**

**Call me anytime.**

**Brian Link**

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