

Andy Zuch

From: Anita Badalamenti
Sent: Friday, April 17, 2020 1:17 PM
Subject: MCA UPDATE, REPLY NEEDED
Attachments: MCA Ammortization Schedule.xlsx

Dear MCA Investors,

Thank you in advance for your patience during this stressful time. It might be easier if you print out this lengthy email to read on paper.

This Merchant Cash situation has consumed me. I bet that 80% of my waking hours over the past month has been dedicated to finding a resolution to this dilemma. I assure you that I am doing my absolute best to find a solution that is in the best interest of everyone. This email is intended to summarize the plan moving forward for every investor. **I am going to need each and every one of you to reply to this email with your intentions by Tuesday, April 21st, which I will summarize in a few paragraphs to follow.** Also, in this email below you will read a direct comment from my attorney, John Pauciulo.

There is good news and bad news. **First, the bad news: PAR Funding appears to be insolvent.** It is as simple as that. They owe investors like you and me over \$360 million dollars. Because of the pandemic and the fact that small businesses across our country have been forced to close on the orders of state and local government. Par's merchants are paying back a fraction or nothing of what they used to pay Par on a daily and weekly basis. The fear is that many of Par's merchants will never reopen for business and never be able to fully pay back the money owed to Par. As for Par having liens against the assets of the merchants, that is a process that takes a long time and also results in receiving a lot less than what is owed. This headline/image from the Wall Street Journal says it all:



Bottom line is this...Par either declares bankruptcy themselves...which obviously would be catastrophic for every investor...or they rebuild. *So here is the good news...Par wants to rebuild.* They are not throwing in the towel. They want to get the company back on its feet, return to profitability and, ultimately, return to the thriving business that they have been up until the time this Pandemic hit.

- **Step One:** In order for Par to rebuild, they need cash. That is why they ceased principal and interest payouts to all of its lenders. They can't start the "merchant advancing" process with new merchants without cash on hand. Believe me, it is a tough pill to swallow, particularly if you were due to get your principal back soon as many of you were (as I told you my father and several other family members of mine were to receive their principal back last month. I assure you they received no special treatment. They received nothing back).
- **Step Two:** Par needs to restructure the notes they have with all of its lenders. Every investor was receiving between 10-16% a year in interest. On top of that my company earns a fee for every investor dollar that we bring in. Par is currently paying a total of 16-20% on every investor dollar that comes in. PAR cannot continue to pay that high a price for capital.
- **Step Three:** Par needs time. The first thing that needs to happen is for small business to get back to work. It will take time for Par to ascertain what companies are worthy of cash advances, and which ones are not. The good news for the MCA industry is that small business cannot rely on traditional banks to lend money. In 2008, banks drastically reduced the number of loans they gave to small business. Hence, the MCA industry thrived. That should happen again. But, Par needs to make up for the potentially hundreds of millions of dollars that they will never collect on, in addition to

paying their staff and themselves, and paying each of you back. That will not happen over-night. It will take years.

So, here is the plan that Par Funding is offering... You, the investor, will earn 4% interest over a period of 7 years. The principal your receive back, in addition to the 4% interest will increase after the 1st year. The image below shows the combination of principal and interest payouts monthly over the next 7 years. Attached to this email there is a spreadsheet that you can tweak to see your monthly cash flow over the next 7 years.

Year	Interest Earned	Principal Returned
1	4%	0%
2	4%	5%
3	4%	10%
4	4%	15%
5	4%	20%
6	4%	25%
7	4%	25%

I have spent many hours negotiating the terms of any restructuring with Par and I truly believe that this is Par's final offer; we wont get a better deal although we have tried. These payout terms are not negotiable. The executive team at Par has told me that they want to pay this money back much sooner than 7 years. Some have asked/told me that there is no incentive for Par to pay the investors back sooner than 7 years. To that, all I can say is this...I believe that if they can, they will, even if not legally obligated. The Par team is the hardest working group of people I have ever seen. Let's have faith that when they get on their feet they will do everything they can to accelerate your payoff.

Logistically, I will sign a new note between the fund that you invested in and Par Funding. That note will make the previous notes null and void. Then, YOU will need to sign a new note with the fund, making your previous note with us null and void.

PAR WANTS TO START PAYING INTEREST JUNE 1st. Every one of you, regardless as to when you invested, will get paid on the same date. I need to hear back from every single one of you by Tuesday April 21st if you intend to sign a new note with us and accept the terms as outlined above. Please RESPOND TO anita@abetterfinancialplan.com with your intentions. I STRONGLY advise you to take this deal. The consequences if you do not, I feel are FAR WORSE than taking a 4% interest rate for 7 years. We need to hear from everyone.

I suspect that the overwhelming majority of you will agree to take the deal. I've talked to many of you already and that seems to make the most sense. Having said all of the above...let me provide reasons as to why I feel "taking the deal" is the best course of action for those of you that are still not sure.

1) If you break it down, our options are simple...we work with Par...or fight them legally. If Par successfully rebuilds, then you will not lose a penny and you will get your money returned to you in 7 years (if not sooner), plus 4% interest. Remember, this is the worst economic situation to hit our country in 100 years. If we fight PAR, we will incur hundreds of thousands of dollars in legal fees. It will take 18 months to two years to get a judgment against Par. We would indeed get a judgment against Par ...but it will take a long time, will cost a lot of money and they will not pay us a penny along the way. If we do fight them, the executive team at Par may very well throw in the towel and file for bankruptcy, which ultimately means that you will get penny's on the dollar SEVERAL years from now. Very candidly, "YOU" may be someone that can afford to go without the monthly payments, and you may be someone that can afford to settle for penny's on the dollar 3 years from now by the time you get money from a liquidation....but I am telling you that 90% (if not more) of the investors absolutely can't have that, or don't want that. FOR THE REASON I JUST OUTLINED, I am moving forward with the deal. The risk of getting pennies on the dollar is too much for too many of my clients. So I need to take this deal for them.

2. PAR is giving us a lien on their assets. This is a big deal! Currently, we have unsecured notes with Par. **We will get a lien in all of Par's assets and Par will file a UCC-1 Financing Statement with the state which proves that we have the lien.** In the event they default on us again, the UCC filing makes collecting money from PAR easier. Bottom line, we give PAR a chance to rebuild...if they fail we are in a better position to collect than we are today. A UCC filing will improve our future position. This is another reason I will sign the deal.

3. Some of you have suggested that I not sign anything now... that we wait it out for 6 months for the economy to recover... as if you knew for certain when that would be. Well, the answer to that comment is similar to the reasoning I provided in reason #1 above...90% of my clients can't afford to wait and the "unknown" of what's happening to their money is almost as bad as losing it. As I type this up, I have seen no less than 30 emails come to me asking for an MCA update. Not knowing what is going on with your money is something the majority of people cannot handle. Maybe you personally can wait...most people can't! That is another reason I am taking this deal now...and not in 6 months.

For those of you who are still not sure if you want to take the deal, I leave for you a paragraph from my attorney, John Pauciulo with the law firm of Eckert Seamans in Philadelphia:

While we expect that all investors will elect to modify the terms of their notes, those who do not will be left with limited options. If all investors do not elect to modify their notes, a new fund will be established which will issue the new notes with the modified terms. The existing fund will remain but its sole assets will be notes issued by PAR with the modified terms (4% interest with principal paid out over 7 years). The existing fund will pay out those amounts it receives from PAR. Investors who do not elect to modify their notes will have to choose whether to accept those payments or file suit against the existing fund and attempt to collect the difference between the amounts they are owed under the existing notes and the 4% payout. Any such lawsuit is likely to take one to two years, at a minimum, and cost tens of thousands of dollars in legal fees.

I am striving for 100% acceptance from all investors. That is why I need to know your intentions by Tuesday. If I do not get 100% commitment from every investor, I will form several new funds as John outlined above. The "accepting investors" will be placed into these newly formed funds. PLEASE, email anita@abetterfinancialplan.com as soon as possible and simply say your name and "accepting" or "not accepting"

We will move quickly to get paperwork in place to get our first interest check from PAR on June 1st.

Lastly, I don't know how to say this politely...so forgive me if it comes off insensitive. Everything you read above "is what it is". Before you try to contact me or a member of my staff to discuss the terms outlined in this email, please keep in mind that we have hundreds of investors that are receiving this. It is *impossible for me or my staff* to spend 10 minutes speaking with each of you. *I have exhausted all questions and strategies regarding the terms this deal over countless hours with my team and attorney, John Pauciulo. The terms that are presented to you today are non-negotiable.* I remind you that I have substantial dollars invested with PAR, and so do several of my aunts, uncles, cousins and in-laws. If you have a question or two that was not addressed in this email, you can include that in your reply to Anita. This way we can attempt to address in a reasonable manner. Our number one priority will be to gather your intentions and get you the paperwork needed to finalize the deal with PAR. Thank you for understanding.

PLEASE REPLY to anita@abetterfinancialplan.com right away.

Stay Healthy and Safe.

Dean Vagnozzi

President & CEO

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