

RSR Financial Resources, Inc.

Contract Financing

How to make it work for you

Provided by RSR Financial Resources, Inc.

RSR Financial Resources, Inc.

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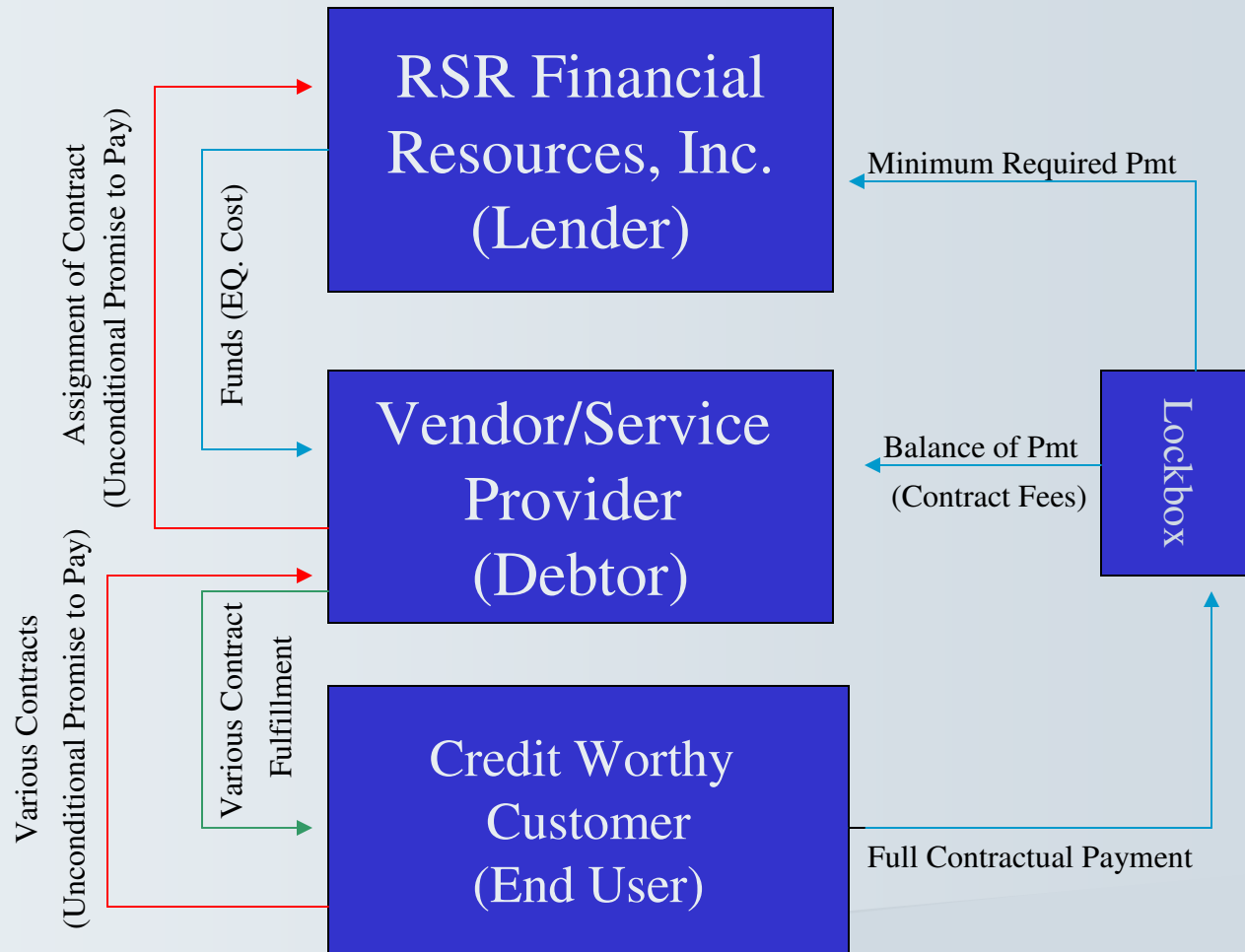
What is Contract Financing and how does it benefit you?

Contract Financing (or monetizing) is a very flexible financial tool providing a number of capital options - much less expensive and onerous than equity or sub-debt. So long as there is an equipment component, contract financing can be used to:

- Acquire equipment necessary for the fulfillment of a service contract
- May provide much needed working capital to run your business and/or develop infrastructure to facilitate the contract services
- Refinance existing equipment and improve cashflow
- Accelerate contract revenues
- Entre' to repeat business

Each transaction is a custom product designed to meet the needs of you and your customers.

Contract Financing Flow Chart



Minimum required payment must be non-cancelable

Components of a successful Contract Financing

- End user must be a credit worthy entity
- There must be a necessary equipment component
- End user must provide a fixed, determinate, non-cancelable payment stream
- Early involvement of RSR Financial Resources, Inc. (although can be successfully done by an amendment to an existing contract)
- Strong motivation on the end user's part to have service and/or equipment provided
- Proprietary contract language makes it easier for your customer to say yes
- Term of contract should be 2 years or more, (preferably 3 years)

Motivation for agreement by end user

- May save a significant amount of money
- May generate a significant amount of revenue
- Access to a unique product or service
- Off balance sheet treatment; contract is a contract for services and payment for those services is an expense. As they are **not** financing equipment, nor do they have ownership in the equipment, there is no traditional “financing costs” to the end user

Let's get started

- Carefully review your proposal, sign and return
- Provide a copy of your standard contract for legal review
- Confer with your end user to review contract language (with our assistance)
- Gain agreement in purchasing
- Move to legal

Overcoming typical roadblocks to success

- **ASK** the end user (*ask* is the most powerful word in the universe)
- Remind the end user of initial motivation for entering into contract
- Gain general agreement in customer's purchasing department; specifics worked out in legal
- Let us help you negotiate with the end user

Compare Contract Financing to traditional funding

	RSR Financial Resources, Inc.	Bank	Venture/Investors
Funding Applications	No Industry Limitations	Traditional	Start-Up Expansion/Growth Mezzanine
Recourse	Limited to equipment	Yes: Funding is recourse to borrower and often personal	Yes: Funding is recourse to borrower
Funding Scope	\$1 million and up	Limited by department and credit review committees	Highly variable and dependent on fund size
Monetized Amount	Up to 100% net present value of fixed payment stream	Typically 10% - 50%	Typically 10% - 70%
Interest Rate	Fixed: Competitive	Not Fixed: May be competitive	Not Fixed: Not Competitive
Fees or Equity Grants	Documentation & Legal Only	Closing & renewable fees	Typically Fees AND Equity
Time to Close	2-4 Weeks average	90+ days	6 mos – 18 mos
Repayment Structure	Customized to suit specific cash flow needs of project including option to defer start of repayment	Restrictive/Rigid	5-7 yr 10x Investment return expectation
Security/Collateral	Assignment of unconditional promise to pay from investment grade entity	1 st Lien position on tangible assets	Control
Oversight	None	Audits, frequent reviews – life of loan	Board representation
Documentation	Efficient – prepared in-house	Litigious and Extensive	Litigious and Extensive