



STALWART

CONTRACT FINANCE, LLC

NOW FUNDING CONTRACTS FOR SMALL, MIDDLE & LARGE MARKET TRANSACTIONS!!

SMALL TICKET/APP ONLY PROGRAM:

- Vendor/service provider must enter into a fixed term program agreement that gives STALWART first right of refusal on monetized transactions.
- Vendor/service provider must have potential for \$1 Million in equipment cost funded annually
- Transactions from \$5,000 - \$100,000
- 24-48 months on high tech
- 24-60 months on more durable equipment types

MIDDLE MARKET PROGRAM:

- Vendor/service provider must enter into a fixed term program agreement that gives STALWART first right of refusal on monetized transactions.
- Vendor/service provider must have potential for \$1 Million in equipment cost funded annually
- Transactions from \$100,000 - \$500,000 for credit qualified end users.
- 24-48 months on high tech
- 24-60 months on more durable equipment types

LARGE TICKET PRODUCT:

- One off transactions accepted without program agreement
- Transactions from \$500,000-\$5,000,000 with credit qualified end user, (does **NOT** need to be bond rated investment grade).
- Transactions above \$5,000,000 require investment grade end user. (Our original Contract Finance Product)

CALL YOUR STALWART REP TODAY
800-409-5008

*Bringing Your Future Dollars
To You TODAY!!!*



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Sword or Machine Gun?

Overall, broker and independent leasing companies have been losing market share for the past 10 years. This has been compounded in the last 2 years by lack of capital. Banks are hoarding their cash and approvals and are lending directly, thus cutting out the broker. Although the broker will continue to have a significant place in the leasing industry, it is imperative to develop new products. Since tighter credit criteria and lower approval rates in small ticket and middle market will be a fact of life for some time to come, don't go to battle with just a sword and shield (*i.e.* small ticket and middle market equipment lease and finance transactions) when you could have a machine gun (*i.e.* **CONTRACT FINANCING**) in your arsenal.

111 E Broadway, STE 170
Salt Lake City, UT 84111
800-409-5008

How To Combine the Financing of Equipment and Service/Maintenance into a Single Agreement

Do you have an exiting or prospective customer who has a transaction involving equipment and a service/maintenance agreement?

We have a way for you, the vendor, to present an **all-inclusive quote** to the customer and **finance everything together**.

Benefits to Vendor and End-User:

VENDOR PAID UP FRONT: The Vendor is paid at closing for at least the equipment cost.

NO NEED FOR "CAPITAL EXPENDITURE" APPROVAL: With the equipment and service wrapped into a single usage or supply agreement, the customer can take the transaction off-balance sheet and treat it as an operating expense, and eliminate the delays in acquiring CAP-Ex approval.

CENTRAL BILLING: We bill the end user/customer for the total contract payment, directing payment to a lockbox where it is then split between the equipment lessor/lender.

EQUIPMENT PRICE DISCOUNTING: Held to a Minimum because both equipment and service presented as one lump sum monthly to the customer.

Transaction Qualifications:

- Transaction must include equipment with a service or maintenance component.
- Vendor/Provider must be funding \$1 Million or greater per year.
- Customer/End-User must be credit worthy based upon transaction size.

Deal Flow:

- 1| Contact us regarding qualifications before quoting your customer.
- 2| You work up the equipment and service costs.
- 3| We will submit to you a proposal and language to include in your quote.
- 4| We will work with you and the customer to finalize the documentation.



1.800.409.5008

www.stalwartcontractfinance.com

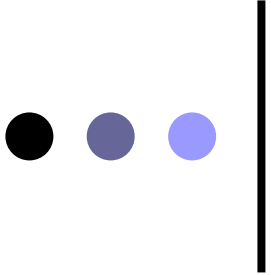
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STALWART
CONTRACT FINANCE, LLC

Contract Financing

How to make it work for you



Provided by Stalwart



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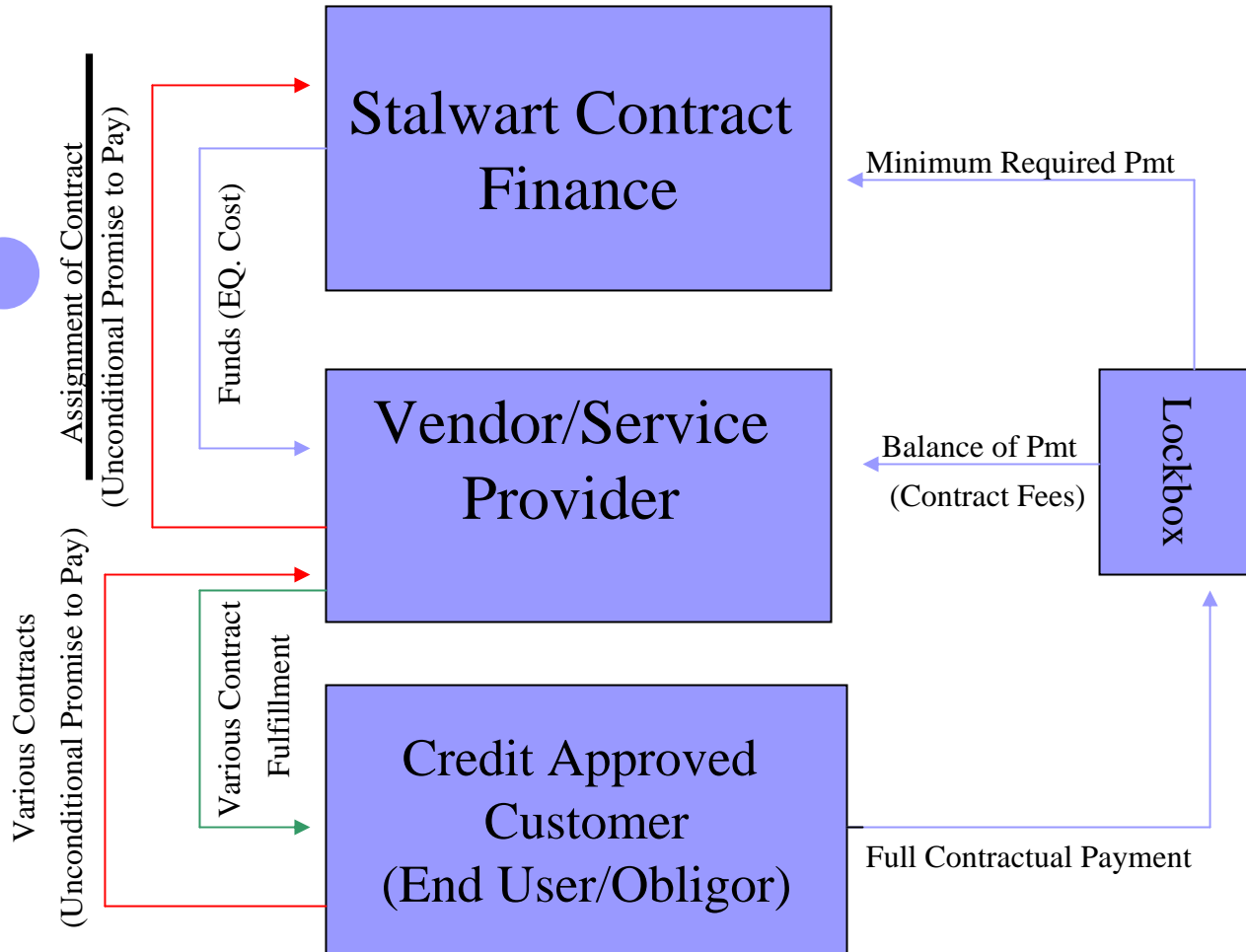
What is Contract Financing and how does it benefit you?

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 credit worthy (requirements vary depending on transaction size)
- There must be a necessary equipment component
- End user must provide a fixed, determinate, non-cancelable payment stream
- Early involvement of Stalwart (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
- Bundling of equipment and service into one payment
- 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



Comfort Incentives For End User

Stalwart may negotiate inclusion of the following to create a comfort level for the End User:

- Business Interruption Insurance
- Errors and Omissions Insurance
- Fraud Insurance



What Happens If?

- Equipment and Source Code for software is placed in a bankrupt remote entity
- Back up servicer



Let's get started

- Your company uses the Stalwart checklist to identify a potential contract finance transaction
- Stalwart develops a term sheet and creates a proposal for your portfolio company or your potential client
- Client carefully reviews the proposal, signs and returns
- Client provides a copy of their standard contract for legal review (proprietary language to be inserted by Stalwart)
- Client confers with their end user to review contract language (with Stalwart assistance if necessary)
- Gain agreement in purchasing
- Move to legal (Stalwart negotiates the language with the end user's legal department)
- Upon agreement and execution, the transaction is funded



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

	Stalwart Contract Financing	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



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FREQUENTLY ASKED QUESTIONS

Q. Who should I focus on contacting?

A. Any manufacturer, vendor or service provider who provides a service under contract & utilizes some equipment to provide the service.

Q. How does it work?

A. Each transaction is a custom product designed to meet the needs of the vendor/service provider and their end user.

Q. Does the Vendor/Service Provider need to have good credit or substantial time in business?

A. Underwriting focuses on the credit worthiness of the end user for whom the services are being provided.

Q. What qualifies a deal?

A. End user should be near investment grade or investment grade & exhibit a S&P bond rating of BB or better.

Q. How much commission can I make?

A. Up to 2% of the funded amount. Our largest so far has been \$311,000.00.

Q. What is the rate?

A. From the end users perspective, this is not a product with an inherent "rate". Their contract is a contract for services. 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".

Q. How much will we advance?

A. The advance amount is wholly contingent upon what the end user will agree to pay. It may cover just the equipment or possibly additional working capital for the service provider.

Q. When is this most likely to work?

A. When there is a unique service or product being provided or when there is an excellent existing relationship between the two parties.

Q. Why would the end user agree to Monetizing terms?

A. To facilitate receipt of necessary or unique services.

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STALWART'S WHO, WHAT, WHEN, WHERE, WHY & HOW OF CONTRACT FINANCE

WHO can benefit from Contract Financing?

Literally, there are thousands of small companies – ranging from long lived to emergent - that either have or are working on contracts with investment grade credits. These companies could use your help to provide desperately needed capital to complete their contracts.

WHAT is Contract Financing?

STALWART's 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
- As an entre' to repeat business

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

STALWART provides contract financing for just about any contract where a component of equipment is necessary to complete the contract. There is a provider (usually a smaller company) and an end user (investment grade). The term of a Contract Finance can be as short as 12 months, or as long as 10 years. This product has a variety of applications and has worked successfully with:

- Service Agreements
- SOWs
- Warehouse Agreements
- Management Agreements
- Distribution Agreements
- Muni Contracts of \$5 Million and over
- Federal Contracts of \$10 Million and over

WHEN can you get started looking for Contract Finance deals?

IMMEDIATELY! Looking for Contract Finance deals isn't hard; in fact, most of the aforementioned referral sources are also good sources for equipment leases and equipment finance transactions. Who would like to be the next broker to break the record for largest commission paid of \$311,000?

WHERE do you find Contract Finance deals?

Sources for contracts include:

- Commercial Bankers
- CPAs
- Investment Bankers
- Private Equity Groups
- Merchant Bankers
- Venture Capital Firms
- Vendors
- Service Providers
- Manufacturers
- IT Consultants
- Forums Where Companies Needing Equity Are Showcased
- Factoring Companies
- Accounts Receivable Companies

WHY can the Contract Finance product be valuable to you and your customers?

STALWART's Contract Finance deals are averaging close to \$6 million per transaction (although we have a number of contracts in various stages of process that would dramatically increase that average). This form of financing could be extremely valuable to smaller companies that don't have the resources to buy equipment or adequate working capital. In many cases, it can be used as an alternative to equity or to augment existing equity in the provider company. In fact, many smaller companies do not bid large contracts for fear that they will be unable to fulfill them because of a lack of capital. The equipment necessary to fulfill a contract can be existing equipment that is refinanced or sold and leased back, or brand new equipment that is located at either the provider's or the end user's location. These need not be a new contract to qualify for Contract Finance. STALWART can monetize the remaining balance/term of an existing contract.

HOW does Contract Financing work?

STALWART will work with your customer and provide language, which is embedded in the contract via addendum, that will allow STALWART to take an assignment of all or a portion of the future revenues. A present value of those revenues will give your customer the capital they need to complete the contract. In many instances, STALWART is able to provide a present value consisting of even more than the essential capital needed to acquire the equipment, injecting much needed working capital.

Call Your Rep Today
800-409-5008



What We Have Learned About Contract Finance

STALWART developed the contract finance product in 1997 but only used this product on two different vendor programs; one for wooden tomato bins and the other for automated in-store ice machines. STALWART began offer this product for multi-industry and multi-service product applications a little more than a year ago. This communication is an attempt to help you make more efficient use of your time and resources and minimize time spent chasing contract finance deals that have a high improbability of funding.

Commodities

There is an established spot market for most commodities and unless your service/product provider can offer very significant savings, the end user will almost always opt to buy the commodity from another product provider. The chances are highly likely the commodity will be purchased and at spot price, or from another commodity provider.

Energy

We have had very limited success with energy deals. Much like commodity deals, it is difficult to structure when the product is available on the open market. Additionally there can be regulatory issues with public utility commissions and our structure. It is best to focus on energy deals where the end user is a commercial entity or municipality that fits our criteria.

Construction contracts

We have never funded a construction contract. They do not typically provide for fixed, determinate payment streams and are more often that not, subcontracts from a (non-investment grade) contractor.

Product Sales

STALWART has had limited success with product sales. Where we have succeeded is when the product contains or is tied to a breakthrough technology or secret process that makes the product provider the only game in town. Most products that have a wide number of competitors selling them are really no more than commodities. Distributor contracts with the end user work well. If there is

a back log for the product because the product is well received and the provider does not have current capacity.

Federal Contracts

Federal Contracts are non starters in most cases because of the cancellation for convenience clause that permeates federal contracts as well as the difficulties in assigning payments from those contracts.

Municipal Contracts

We have funded or approved a limited amount of municipal transactions where the municipality is a revenue/rate based municipality as opposed to a tax based municipality. Rate based and some tax based municipalities in most states have the legal right to wave the fiscal funding out clause and provide an attorney's opinion that they can legally do so.

Your Best Bet

We have found success when the product and/or service being provided meets one of the following motivational criteria:

1. Saves the end user money
2. Generates income for the end user
3. Includes patented or proprietary technologies, processes or products not readily available from other providers

We hope this helps you re-focus your attentions to transactions with a high probability of closing.



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Where to Find Contract Finance Deals

Many of you have asked us, "Where do I/we find contract finance transactions?" We'd like to provide you with the following list of suggestions:

- CPAs
- Commercial Loan Officers
- Investment Bankers
- Private Equity Groups
- Merchant Bankers
- Venture Capital Firms.
- Vendors
- Service Providers
- Manufacturers
- IT Consultants

Investment Bankers:

Let's take a moment to focus on investment banking firms. These companies' portfolio customers and potential customers come to the investment bankers in search of capital in the form of equity. Equity is expensive substantially more expensive in our current economic climate. According to Business Week, private equity firms raised only a third as much equity in '09 as in '08. This dearth of equity makes contract financing the perfect augmentation partner for the investment-banking firm.

Private Equity & Venture Capital Groups

These differ from investment bankers because they are normally the source of equity. The larger firms raise money in a fund, which usually invests in particular industries. As with the investment bankers, their availability of funds has shrunk dramatically since 2008. Contract financing can provide a substitution for their portfolio clients or prospective clients that are looking for infusions of capital to fulfill a contract.

Merchant Bankers:

Merchant bankers are similar to investment banks, private equity and venture capital firms; however, they normally loan money with an equity or ownership kicker. Brokers have brought us a couple of transactions originated by merchant bankers.

CPAs & Commercial Loan Officers:

These are two very logical sources for Contract Financing customers. The first place that a firm will go when they need funds to fulfill a major contract is their banker or their CPA.

Vendors, Service Providers, Manufacturers & IT Consultants:

Depending on the product or services sold, these sources may be in constant contract negotiations with new or existing customers. The key here is to look for entities that provide service and equipment, or provide a service for which equipment is necessary.

We've prepared an adaptation of our original Contract Finance power point for you to pass on to private equity groups, investment bankers, merchant bankers and venture capital firms. We'll have another version for CPAs and commercial loan officers shortly.

There are literally thousands of companies here in the U.S. that have existing contracts, or are negotiating new contracts with large investment grade end users. Every lead type we've listed can be a source of repeat business.

Our record for a single commission still stands at \$311,000; although, we just received signed proposals for \$32MM, \$48MM and \$52MM contract financing projects. These are all from one manufacturer. The broker sourced the transaction from an investment-banking firm; we have built in 2 points for the broker.

Call your rep today

800-409-5008