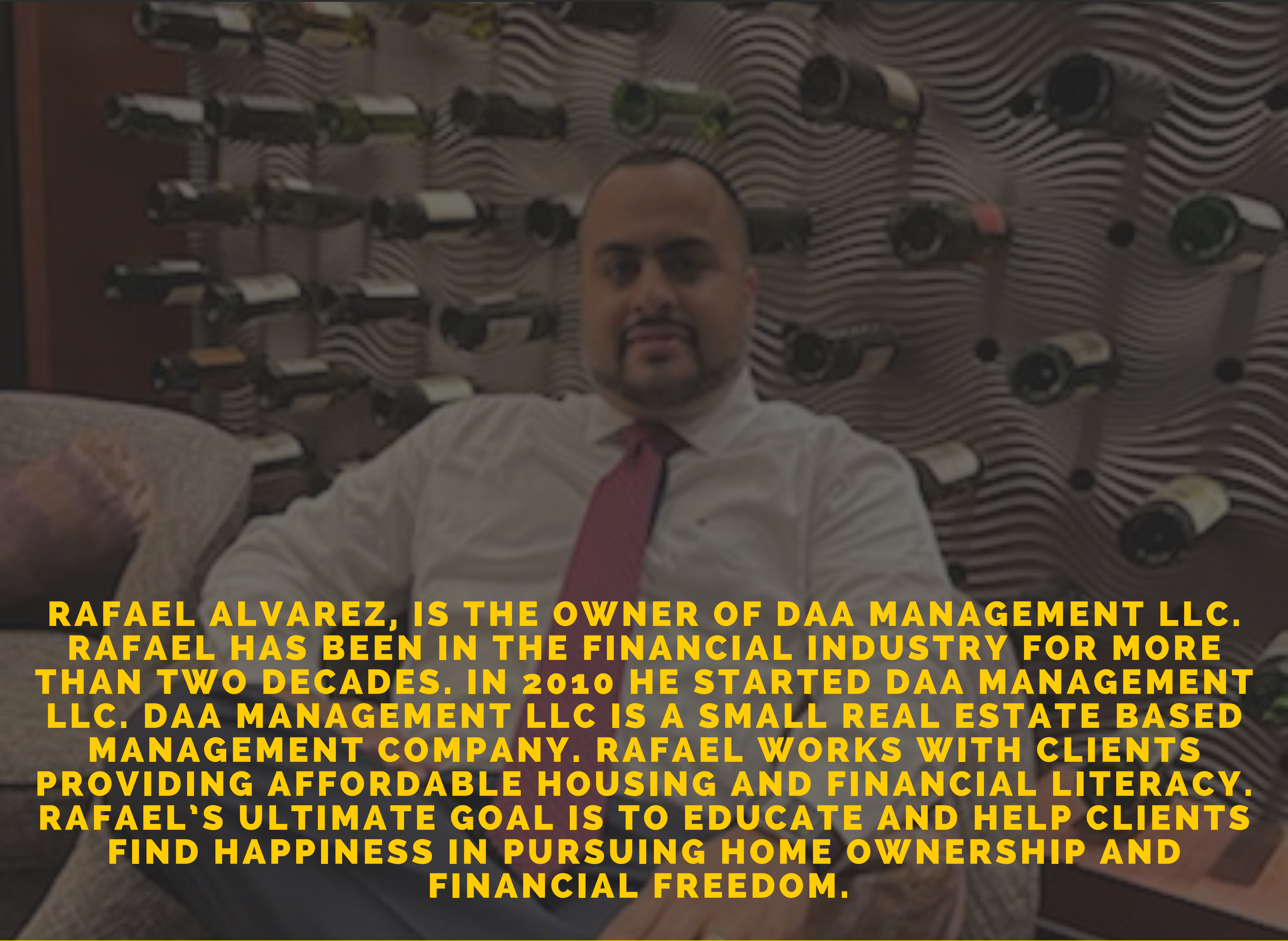
INTRODUCTION

FINANCING GOVERNMENT CONTRACTS



RAFAEL ALVAREZ, IS THE OWNER OF DAA MANAGEMENT LLC. RAFAEL HAS BEEN IN THE FINANCIAL INDUSTRY FOR MORE THAN TWO DECADES. IN 2010 HE STARTED DAA MANAGEMENT LLC. DAA MANAGEMENT LLC IS A SMALL REAL ESTATE BASED MANAGEMENT COMPANY. RAFAEL WORKS WITH CLIENTS PROVIDING AFFORDABLE HOUSING AND FINANCIAL LITERACY. RAFAEL'S ULTIMATE GOAL IS TO EDUCATE AND HELP CLIENTS FIND HAPPINESS IN PURSUING HOME OWNERSHIP AND FINANCIAL FREEDOM.

CONTRACT FINANCING IS A SECURED OR UNSECURED BUSINESS LOAN. IT IS A WAY FOR YOUR SMALL BUSINESS TO RECIEVE A CASH ADVANCE ON WORK YOUR BUSINESS HAS NOT YET PERFORMED.

ONCE YOU ARE AWARDED A GOV'T CONTRACT PLAN TO CREATE A SEPARATE CONTRACT AND SET MILESTONES. EACH MILESTONE SHOULD DEPICT HOW MUCH AND WHEN YOU WILL BE PAID AT DIFFERENT STAGES OF THE PROJECT.

CONTRACTOR (YOUR BUSINESS) SELLS THE INVOICE TO A FINANCE COMPANY. IN RETURN THE FINANCE COMPANY ADVANCES (IN SOME INSTANCES BASED ON CREATED CONTRACT) UPTO 90% OF THE INVOICE BEFORE PROJECTS STARTS.

5 FACTORS THAT HELP YOU QUAILFY FOR FINANCING

1. *TIME IN BUSINESS*
2. *MONTHLY BILLING*
3. *CREDIT RATING OF CUSTOMER*
4. *SIGNED CONTRACT WITH MILESTONE*
5. *POSITIVE WORK TRACK*

PROS & CONS

GOOD COMPENSATION

GOOD REPUTATION

LONG CONTRACTS

LOTS OF RULES

NO STABILITY

SLOW PAYMENT

SIX WAYS TO FINANCE GOV'T CONTRACTS

- SBA
- INVOICE FINANCING
- ACCOUNTS RECIEVABLE LOC
- PURCHASE ORDER FINANCING
- SUPPLIER FINANCING
- ASSET-BASED LENDING

HOW DOES CONTRACT FINANCING WORKS

How contract financing works

Contract financing typically advances up to 90% of an invoiced amount right away, with the remainder — less a fee — paid to you when the invoice is paid. Companies that operate by contractually agreeing to provide services or products for a specific project or event can use the contract as collateral to secure necessary funding. Frequently, the contract specifies the partial payments you'll receive as you invoice for the completed portions of the work. The arrangement allows companies to avoid waiting months to, potentially, receive payments on invoices they submit directly to the customer.

Contract financing is useful when the credit history of a small or medium company is scant or poor, which can block access to conventional bank loans and commercial lines of credit. A contract financing company might approve a financing arrangement with you if the following applies:

- Your client has a good credit rating.
- You have a signed contract with a clear schedule of milestones and payments.
- You have enough of a track record to reassure the finance company that you can perform the work on time and complete each milestone properly.

CONTRACT FINANCING EXAMPLE

SUPPOSE YOUR COMPANY CONSTRUCTS WAREHOUSES, AND A CUSTOMER HIRES YOU TO BUILD A NEW PROPERTY FOR $600,000. YOU SIGN A CONTRACT THAT SPECIFIES SIX MILESTONES WITH TASKS AND DEADLINES, EACH OF WHICH PAYS $100,000 UPON SUCCESSFUL COMPLETION. SINCE YOU KNOW THAT THIS CUSTOMER TAKES 60 DAYS TO PAY AFTER RECEIVING AN INVOICE, YOU DECIDE TO SEEK FINANCING WITH A CONTRACT FINANCING COMPANY THAT CHARGES A FACTOR FEE OF 2% FOR AN ADVANCE TERM OF 60 DAYS.

AFTER THE FINANCE COMPANY EVALUATES THE CONTRACT, YOUR BUSINESS'S ABILITY TO DELIVER, AND YOUR CUSTOMER'S CREDITWORTHINESS, IT APPROVES THE ARRANGEMENT AND TAKES OVER THE PROJECT INVOICING. YOU SUBMIT YOUR INVOICES TO THE FINANCE COMPANY AS YOU COMPLETE EACH MILESTONE. THE FINANCE COMPANY'S ADVANCE PERCENTAGE IS 90% OF THE INVOICE AMOUNT ($90,000), AND THIS IS PAID ON THE DAY AFTER SUBMISSION. THE FINANCE COMPANY FORWARDS THE INVOICE TO YOUR CUSTOMER, AND PAYS YOU THE REMAINDER ($10,000), LESS A FACTOR FEE, WHEN THE CUSTOMER FINALLY MAKES THE PAYMENT TWO MONTHS LATER. THE FEE IS 2% OF $90,000, OR $1,800, SO YOU RECEIVE $8,200 ($10,000-$1,800) WHEN YOUR CUSTOMER PAYS THE INVOICE AMOUNT TO THE FINANCE COMPANY.

NOTE: THE FINANCE COMPANY MAY CHARGE AN EXTRA FEE IF YOUR CUSTOMER WITHHOLDS PAYMENT LONGER THAN THE AGREED-UPON ADVANCE TERM (IN THIS CASE, 60 DAYS).

CONTRACT FINANCING RATES AND TERMS

THE FOLLOWING SUMMARIZES THE AVERAGE VALUES OF THE RATES AND TERMS FOUND IN CONTRACT FINANCING AGREEMENTS:

Contract financing rates and terms

The following table summarizes the average values of the rates and terms found in contract financing agreements:

Features	Average terms
Advance amount	Up to $5 million
Factor fee	1% to 3%
Advance percentage	80% to 90%
Advance term	30 to 90 days

SBA

- *The SBA has various programs designed to help small businesses.*
    - *Microloans- maximum line of credit $50,000 though limits change by state. Microloans are easier to get than regular bank loans and are ideal for businesses just starting out.*
    - *Larger businesses should consider CAPLines, which are a special type of 7(a) loan. CAPlines can range up to five million dollars and can be structured in many ways.*

INVOICE FINANCING

- *An invoice factoring program specializes in government receivables* and finances your invoice. *This solution provides funds to run the business while you wait for payment.*
    - *often paid 30 to 60 days out*
    - *steady reliable work*

ACCOUNTS RECEIVABLE (LINE OF CREDIT)

- *This option is also known as sales ledger financing. AR is a line of credit that mirrors your accounts receivables/ book of business.*
    - *net terms*
    - *improves cash flow*
    - *finance slow-paying invoice*

1. *Account setup*
2. *Select customer to finance*
3. *Submit invoice*
4. *Fund invoice*

PURCHASE ORDER FINANCING

- *Purchase order financing programs allow you to cover the supplier costs associated with a specific government purchase order. This funding enables you to fulfill the order and book the revenue. The line is flexible and is designed to accommodate growing orders.*

1. Finance company pays supplier
2. Allows you to send product to customer
3. You pay back finance company once customer pays in full.

SUPPLIER FINANCING

- Your company partners with a supply chain financing company that acts as a broker between your company and your suppliers. The finance company helps you purchase goods from your suppliers by providing credit accommodations to make those purchases.

- Available to companies:
  - Manufacture or distribute goods
  - Minimum of three years of operations
  - Minimum of two million dollars in annual revenues
  - Can provide accurate financial statements
  - Has product liability insurance
  - Credit insurable

ASSET-BASED LENDING

- *Financing for larger more established companies. These companies do not qualify for conventional lines. The company must generate 1m in monthly revenue.*

- *Advantages of Asset based financing solutions:*
  - *Improved liquidity for your company*
  - *Flexibility and speed – lines can be used for many purposes*
  - *Lower costs than comparable options*

FIVE MAJOR CATEGORIES OF GOVERNMENT CONTRACTING

1. FIXED- PRICE CONTRACTS
2. COST-REIMBURSEMENT CONTRACTS
3. INCENTIVE CONTRACTS
4. TIME & MATERIAL CONTRACTS
5. INDEFINITE DELIVERY & QUANTITY CONTRACTS

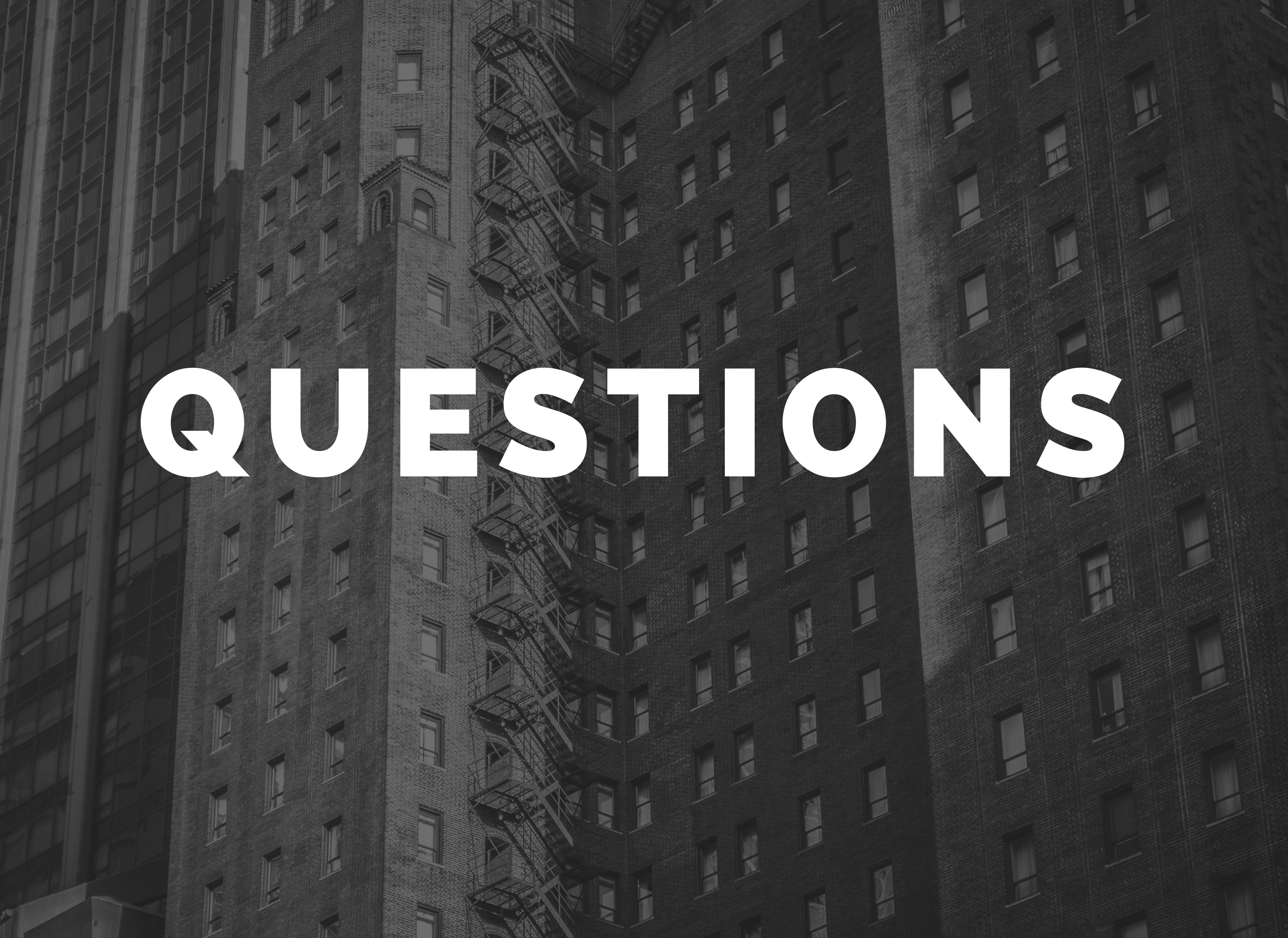
WHERE TO GET CONTRACT FINANCING

- *BILLD*
- *STREET SHARES*
- *TRIUMPH BUSINESS CAPITAL*

CONCLUSION

The type of financing you select depends on your company, it's transactions, and your financial position.

- *Businesses that are looking to increase cash flow should use invoice factoring or accounts receivable lines of credit.*
- *Businesses that need monies to pay suppliers should consider purchase order financing or supplier financing.*
- *Bigger more established businesses will consider asset-based loan.*



QUESTIONS