Contract Monetization

Contract Monetization, (contract financing or monetizing a contract) is a very flexible financial tool that can provide needed capital to a business. Each transaction can be custom product designed to meet the needs of the borrower, but it does require a UCC filing on the borrower's equipment. It is much less expensive and onerous than equity or subordinated debt. The capital derived from contract financing can be used for virtually any purpose. The contract must be with a company that has investment grade credit (BBB or higher), OR the equivalent in terms of its financial strength. Federal, State, and Local governments are ideal. The term of a Contract Finance can be as short as 12 months, or as long as 10 years. This product is available to U.S. based companies. Minimum size is $ 1million with no maximum.

Typically, a client will seek to monetize their contract, when they are unable to get financing done through a commercial or merchant banker, and they are turned down from Private Equity Groups and Venture Capital Firms. Companies that do well with contract monetization are typically service providers, manufacturers, and IT consultants, or companies. These types of companies typically have contracts in place that can be monetized.

Pricing depends on the size of the transactions as well as the credit quality of the company receiving the product of service. Generally, the interest rate will be 7% to 10%.

JTB will work with you and provide the necessary language needed, which is embedded in the contract via an addendum that allows the taking of an assignment of all or portion of the contract's future revenues. A present value of those revenues will give your company the capital you need to complete the contract. In many instances, it is possible to provide a present value consisting of even more than the essential capital needed to acquire the equipment, injecting much needed working capital.

With the exception of Large Project Finance, all of the other products alone or in combination can be useful in providing a client the working capital they need or to restructure existing debt. The following are some uses that can be made of the Financial Products JTB has to offer:

Working Capital

Growth Capital

Turnarounds and Restructurings

Healthcare Providers

Acquisitions (existing companies w/ assets > $1MM)

Import/Export

Monetization of Service Contracts

Management Buyouts

Debtor in Possession

Solar/ Renewable Energy Projects

Tenant Improvements.

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Large Project Finance

Large Project Finance, this financing product provides 100%, long term, low cost financing for large real estate and infrastructure projects. Under this program, repayment of the financing MUST be UNCONDITIONALLY guaranteed by an investment grade rated (BBB or higher) entity. The term may be up to 30 years and may be structured either as a loan or lease.

The minimum transaction size is $25 million with no practical maximum. Smaller transactions will be considered on a case-by-case basis. Typical clients are domestic and international municipalities, government agencies, healthcare operators and energy providers. It is available worldwide, with the exception of countries with severe political instability.

Interest rates are fixed and approximately 4% to 5% for AAA rated entities providing the unconditional guarantee and 7% to 8% for BBB rated entities. The fees for this are 1% to 3% success fee (depending on the size of the transaction) payable to JTB Associates, LLC at closing. There is also a modest due diligence fee (varies with size and location of transaction), payable when the client accepts the term sheet. Transactions must be denominated in US dollars.

The first step of the process is gathering the following information:

Summary of proposed project or property

Profile of your company

Investment Request and Use of funds

Proposed Lease type and lease term

Current Status of Project and Approvals

Information on Developer

Requested Terms of Transaction

We submit this information to our lender will issue a Letter of Intent if it is a project they believe they can approve.

If the letter of intent is accepted by your company, the lender will require that your company pay the costs of their due diligence. Upon completion of a successful due diligence process, the lender issues a hard commitment. Acceptance of the commitment requires you to pay a 1% "breakup" fee which is fully refundable

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upon closing of the transaction. This is to ensure that you do not walk away from the deal after receiving a hard commitment. The loan is funded in a single tranche and it cannot be prepaid.

Franchise Finance

Franchise Financing, is similar to Large Project Finance, with the exception that there are no minimum thresholds. The qualifying factor is for this type of low cost financing, (interest rates typically start at 8%) is having a business with multiple locations. If real estate is not a part of the deal, than there are no due diligence fees, or "breakup" fees, or success fees that apply. Each application is based on the merits of current operations and projections for growth.

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Getting Started

Step 1 . Identify your transactional need. Determine if its short term in nature, defined as 1 month to 2 years, or financing needed for the long haul, over 2 years. Determine the type of financing, if its going to equity or debt based. Typically if you asking for a signficant amount in financing than what your company currently earns in annual revenue, that will be a equity investment, and not a loan. Determine what it is you are trying to accomplish. What development stage is your company? Is it fully operational? Generating cash flows? Is the company a newly established corporate entity with no busines activity? How long have you been generating cash? 6 months? 3 years? 10 years? Why do you need this money? Acquisition, expansion, refinance?

Step2: Be specific about your terms. How much is needed? When? For how long? 12 months or more? Is the need immediate? Or, are you planning long term, 2 years, 5 years, 10 years or 30 years

Step 3: Identify how much underwriting you can endure. Are there financials readily available? Do you have an internal financial/accounting staff that can handle questions/request from the underwriter? If not, will the terms of stated income loans still meet your needs?

Step 4: Contact us. Email is the preferred method, to Karen Brown; karen@jtbassociates.com. If you are calling to follow up on a submission, we will gladly communicate status.

Step 5: Include the following details

- Company Name, (including legal and Dba's)
- Company Owner and management team
- Business Industry, product/services sold, etc
- Location of the business
- Most recent financials; Balance Sheet/Profit and loss/Accounts Receivable Aging
- If no financials are available, include three months business bank statements

We will then start the discussion as to what type of financing we can provide and at what cost.

This is a FREE analysis. The financial environment is constantly changing, so please check in with us if you have any questions or updates.

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