

Reseller Channel Financing

2008

About

- Nexcap has teamed with Tech Data Canada to provide a customized Channel Financing Program.
- The principles of the program are:
 - Provide the Reseller with unlimited* access to credit
 - Provide the Reseller with cash flow from sales (including service)
 - Free Reseller working capital for re-deployment, investment, dividends and growth
 - Minimize the working capital requirements to support and sustain growth

* Credit is based on the end client. Nexcap looks through the Reseller and establishes credit limits for each of the Resellers clients.

Program Features

- Elimination of credit issues through distribution
- Improved order processing and turnaround
- Improved service to Reseller clients
- Capital tied to low margin hardware transactions freed up
- Reseller typically reduces A/R by 80-90%.
- Focus on margins and profitability
- Credit and collections services to reduce Reseller costs

How it Works

- Nexcap Special Purpose Entity (“Reseller” Financial Services) becomes the priority financier for the Reseller
- All Invoice are generated by the Reseller on “Financial Services” paper.
- Payments are collected and cash captured by Nexcap
- Reseller submits PO’s to Nexcap for approval. Nexcap approves based on client credit capacity and provides an authorization number. Tech Data ships on a Sold to: Reseller Bill To: Nexcap basis.
- Reseller receives shipping confirmation from Tech and Invoices. Provides weekly Invoice summary to Nexcap with associated hardware costs. Nexcap funds net cash to Reseller weekly.

How it Works

- Reseller recognizes all revenue and cost of sales
- Reseller receives margin \$\$'s on a weekly basis
- Opening A/R can be turned to cash subject to a reserve
- All A/P managed and paid by Nexcap. Nexcap credit line utilized for hardware purchases.

Impact on Reseller

- Dramatically improved cash flow as A/R is converted to cash in 5-7 days.
- Opening A/R can be converted to cash to support growth, restructuring, debt repayment or dividends
- Growth can be achieved with minimal equity
- Perfect matching of invoices and payables promotes margin and profitability focus
- No loss of price negotiation at distribution
- Smoother order placement cycle and improved client delivery

Reseller Suitability

- Ideal for Resellers in growth mode
- Ideal for Resellers trying to improve sales/service ratio
- Ideal for Resellers measuring return on assets employed or return on equity
- Ideal for Resellers with quality credit clients

Fee & Structure Options

- There are options built into the model which allow cost flexibility for Resellers

Options

Funded: Funded A/R includes guarantee of payment to Distribution or vendor, all payments, and margin funding to the Reseller

- **Unfunded:** Nexcap can process A/P and A/R as a service. Nexcap does not advance monies or incur liabilities and the costs reflect this. The Reseller is able to operate in a single cost effective process but selectively choose to finance transactions.

Service Options

Nexcap provides alternatives:

1. Full assignment - Nexcap takes first security position with the Reseller and takes assignment for all A/R. Other options:
 1. Inventory Financing
 2. Funded Service A/R
 3. Lease Financing
 4. Acquisition Financing
 5. LC's, prepayments for certain Vendors
2. Customer Specific Assignment – Nexcap takes assignment of all A/R on a customer specific basis

Summary

- Nexcap provides working capital and credit through distribution to meet your client needs and support growth
- Nexcap can provide cash against opening receivables to transition your business to a new model of profitability

Timeline

- Typically takes about 4-6 weeks to implement full service and about 5 business days to implement client specific financing.

Thank You

Contact Information

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