

ISO Finance Made Easy

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The Basics

In Business,
There are Two Kinds of Money,
Distinguished by Ownership

- ◆ Yours – An Asset
- ◆ Theirs – A Liability

More Basics

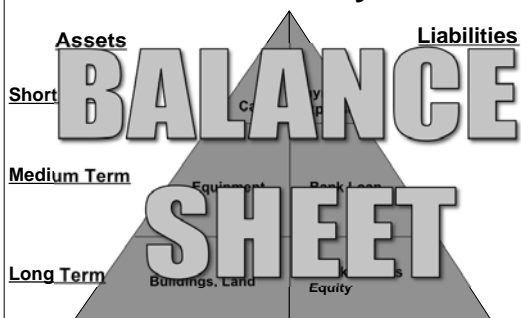
Each Kind of Money Has a Time Element
Associated With It.

- ◆ Near term – usually this month
- ◆ Medium term – the rest of this year
- ◆ Long term – after the end of this year

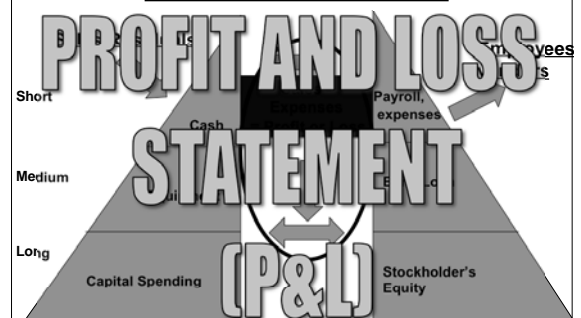
That Makes SIX Kinds of Money

Ownership	Yours (Asset)	Theirs (Liability)
Short Term	Cash, Securities	Payroll, Payables
Medium Term	Furniture, Computers	Bank Loans
Long Term	Buildings, Land	Stockholders Equity

The Financial Pyramid



The Flow of Funds

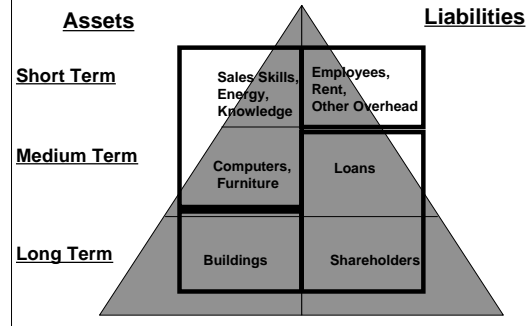


Balance Sheet + P&L

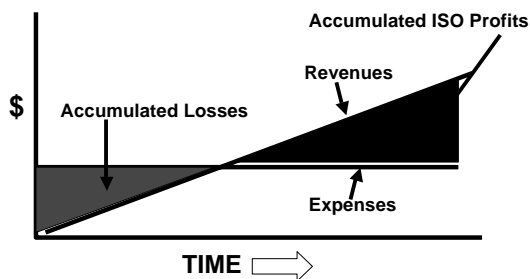
- The Balance Sheet is a snapshot of the business at a given moment in time.
- The P & L shows changes in the Balance Sheet occurring during the month.

$$\text{Old BS} + \text{P\&L} = \text{NEW BS}$$

The ISO Contribution

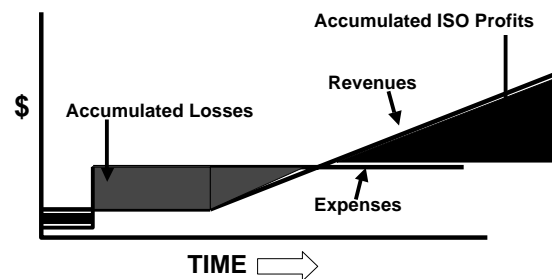


The Basic Problem – Start Up



How do I get through the "Valley of Death"?

The Basic Problem - Growth



How to get through the "Valley of Death"?

Basic Approaches

- The Classic: POS terminal profits erase losses, leading to positive cash flow.
- The Assisted Classic: Terminal profits are not quite enough - bank loan or investor bridges the gap.
- The New Model: Capitalize residuals to create cash to fill the gap.

Questions to Ask

- Is my business capable of achieving the "Classic Model"?
- Is POS terminal pricing in my area strong enough to produce a profit?
- Do I have a reliable leasing partner?
- Is the sales cycle short enough to turn the cash I need?

Questions to Ask

- Is the "Assisted Classic Model" right for me?
- Do I know where and how to find the assistance? Bank? Investor(s)? Calpian?
- Do I have the time to secure an investment?
- Am I willing to live with their terms for operating and payback?

Questions to Ask

- What are the operating conditions of the investment/loan?
 - Personal Guarantees?
 - Performance Requirements?
 - Board of Directors Seats?
 - Cost to document/failure?
- What are the Payback Terms?
 - Bank loans require interest and principal
 - Investors require big returns later – When?

Questions to Ask

- Where am I in the lifecycle of the business?
- Banks are not a fit with start –ups.
- Investors want a solid business plan showing reasonable growth estimates.
- Neither deals with uncertainty or change well.

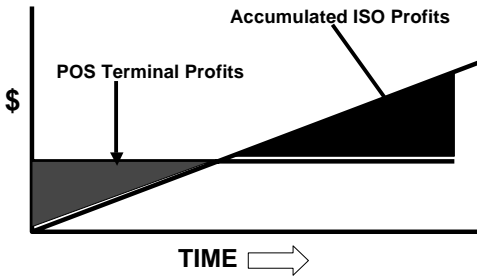
Questions to Ask

- Will the "New Model" work for me?
 - Capitalize future residuals to create "Cash flow as you go"
 - As much or as little as you need
 - Fast, no need to plan ahead
 - Deals with uncertainty + change better than other models
 - You stay in control - no claim on your future profits, decisions, independence

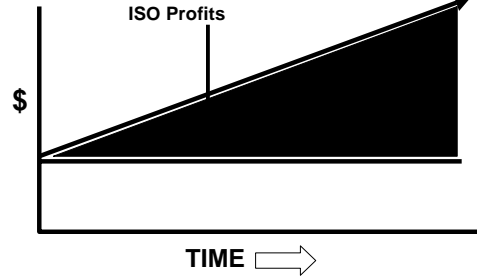
	PRO	CON
Bank	Lower Cost	Small size Hard/slow to get Need principal paid sooner Restrictive covenants
Investor	Patient	High legal costs Board Seats High payoff later Slow to get
New Model	Fast Maximum flexibility No Board No merchant risk	Slower overall growth Medium cost

	PRO	CON
Bank	<u>HIGH FINANCIAL REPORTING REQUIREMENTS</u> <u>MERCHANT RISK AVERSION</u>	
Investor		
New Model	Fast Maximum flexibility No Board No merchant risk	Slower overall growth Medium cost

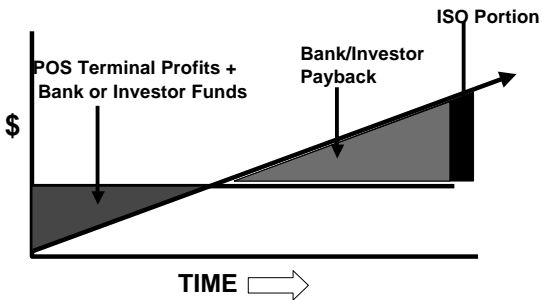
The Classic Model



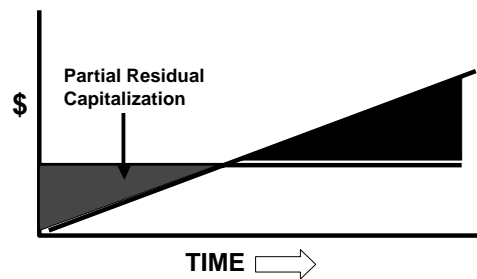
The Classic Model



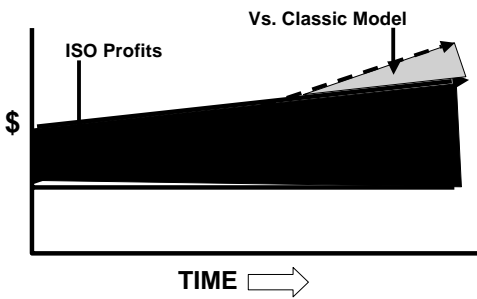
The Assisted Classic Model



The New Model

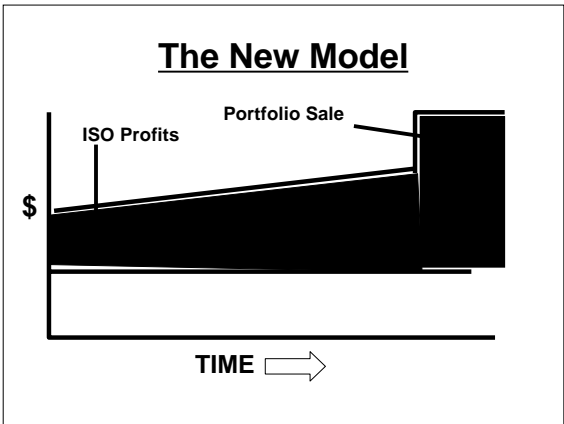
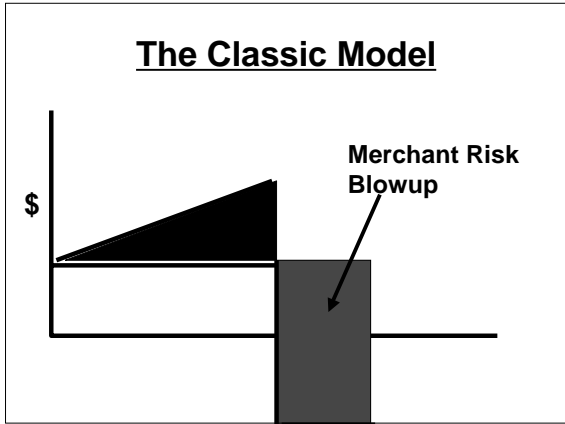
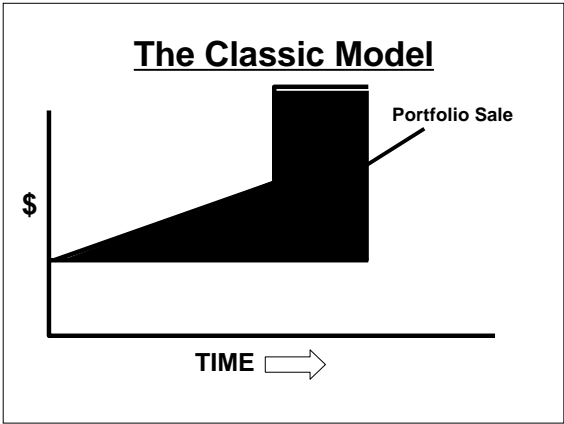


The New Model



Should I Take Merchant Risk?

YES	NO
<ul style="list-style-type: none"> Gain portability Increases expenses Focus on management vs. selling Build risk mgt. group Is this cheaper? Can explode 	<ul style="list-style-type: none"> Less expenses Fewer employees Focus on selling vs. management No merchant portability Exit options still available



Insiders vs. Outsiders

Outsiders	Insiders
<ul style="list-style-type: none"> • Audited Statements • One financial Product • 3-4 Year Duration • Slow to Act • High Maintenance 	<ul style="list-style-type: none"> • Audit Not Required • Range of Products (VC, Loan, Buyout) • Start to Finish Duration • On Your timetable • Low Maintenance

- ### The Bottom Line
- An Industry Insider Will**
- Give You More Money
 - Faster
 - Cheaper
 - Easier
 - Understand Merchant Risk
 - Will Be There Longer for You
 - Will Grow With You Over Time

