

Common Investor Questions

Does our interest rate fluctuate during the year?

No, your interest rate is fixed for the term of our note.

Do you pay interest at maturity?

No, you receive interest checks on the first of every month.

Do we pay electronically?

No, we pay by checks drawn on our bank, PNC Bank. If you bank with PNC Bank we can deposit your interest checks into your account for immediate credit.

Explain what is an Asset-Based Lender (ABL)?

We lend short-term money on invoices that are approved for payment by an authorized representative of the government contracting authority. Our borrower sells their invoice to us. ABR becomes the owner of the invoice.

What if your customer files bankruptcy?

ABR is not drawn into bankruptcy court. We pursue the government for payment and the government still pays us because payments are assigned to us. The same applies to the I.R.S. if the IRS is pursuing a customer for back taxes.

Are we a lender of last resort?

No. We only work with vetted companies that simply need fast, reliable cash flow to perform on a government contract.

Do you research your customers first?

Yes. We thoroughly screen all applicants including credit checks on owners and companies, lien searches in the state(s) in which they operate and IRS liens and collections searches. We also research child support, bankruptcies, payment histories, bank liens, vendor liens and other issue that can jeopardize our 1st lien position on all accounts receivable and contract assignments.

How does ABR and its companies secure themselves?

After we vet and approve a client, we establish a first lien position by filing a UCC-1 Financing Statement on our customer's accounts receivable in the state they are doing business (and in the state they are performing work). We also establish either joint check agreements or Assignments on the contract proceeds which fall within our UCC-1 Financing Statement filings.

If we are a foreign investor, how do you pay?

We wire quarterly debenture interest payments to your bank.

Do we accept money from foreign investors?

Yes, we issue Debentures. A foreign investor cannot be a U.S. Citizen nor have ownership in our company.

Do we withhold money for the I.R.S.?

No for U.S. investors. But for foreign investors we do not withhold money for taxes nor issue 1099s.

Can I extend my investment with ABR when my note matures and if so, what will the rate be when I renew?

Yes, you can renew and extend your note at maturity and your interest rate will remain at the same rate you started.

Can I increase my note before maturity?

Yes, you can increase your note at any time in \$25K or higher increments. Your interest rate will remain the same.

What is the longest term we would extend a note?

We have no limit, but would prefer 3 or 5 year terms. Longer commitments mean less servicing for us (preparation of new notes at every maturity).

What happens if I die?

We will try to contact a family member to identify the executor of the estate. We cannot talk to anybody until we see the probated will or talk with the attorney representing our investor's estate. When we release their money, the check is payable to the parties on the promissory note.

Is my information confidential?

Yes, we can only discuss the relationship with an authorized person that the primary investor designates in an email or a letter addressed to our President. We rigorously protect investor confidentiality and observe privacy laws.

Can I get a higher rate than what you are advertising?

Yes, your rate is based on the amount of investment and how soon you want to invest.

Can I get money back before maturity? Is there a penalty?

Investors are asked to commit to a minimum two year term because we rely on their funds to fund our contractors that have long-term contracts. We will consider an early payment if there is a death and we have enough funds to service our customers.

Explain who is ABR, CAFI Texas and CAFI Arizona.

ABR was formed to represent and service investors. This is the lending component of our business. ABR owns CAFI Texas and CAFI Arizona. Both incorporated entities operate in their respective states to service and represent our customers (the contractors approved for our asset-based lending program).

What is your legal representation?

ABR has independent counsel specializing in finance and lending. Each of our operating companies (CAFI Texas and CAFI Arizona) have law firm representation specializing in state laws, liens and collections for the state in which they are located.

ABR also has counsel with career expertise in government contracting, including two retired Judge Advocate General (JAG) Officers. They are available to immediately assist if or when there may be a contract issue with the Federal Government.

How often have you had problems collecting from the feds?

In over 25 years, we have experienced only two incidents. And in each case, our JAG advisors help us collect in full.

How secure is my investment?

In our 25 years of mitigating risk on government projects no investor has ever lost any money in our program – period. But as with all investment options there is no such thing as no risk. Our carefully developed business model and methods substantially lower investor risk. We have never taken a loss on a government project. This is why we specialize in government projects.

Has the IRS ever garnished an investor or client?

For investors, never. For clients we had one instance in 25 years where the IRS garnished, but later returned funds to us. We always file an 8821 Tax Information Authorization form with the IRS allowing us to know if a client is experiencing an IRS problem. It also protects us by giving us sufficient notice that they are experiencing a collection problem. We can stop lending or wind down future funding to mitigate exposure.

Also, sometimes the IRS will subordinate their collection to us so that we can continue funding, keeping the tax payer in business so they can service their IRS debt.

What is our average size of client funding?

Our average funding ranges from \$25,000 to \$100,000. We lowered our funding amount to minimize risk and to be able to spread our business over multiple, different projects.

Are we regulated?

No, ABR is not regulated regarding promissory notes. But asset-based lending we operate under state laws regarding charging usury rates. We abide by all such state usury laws.

Explain why government projects are so low risk?

Using the Assignment of Claims Act, the government gives all contractors the ability to assign their contracts and contract proceeds to a lending institution so they can borrow money. Most banks don't have the personnel or knowledge on how to lend to government contractors.

Funding government contractors is very time consuming plus it takes in-depth experience and very specific operating procedures. It requires the ability to verify that the work is approved for payment and how to process government

documents properly. ABR lends on "approved progress invoices" with a signed and approved government assignment.

Also, government agencies pay their invoices, and typically within 30-35 days. That plus having an assignment guarantees that the government will pay us directly via ACH.

Have we ever had a loss on a government project?

No... never.

Have we ever had a problem on a government project?

Yes! This is why paperwork is so important. We have developed industry leading experience in asset-based lending for government backed contracts to reliably eliminate issues from occurring in the first place. In the two instances when we did have a problem, our JAG advisors were able to help successfully resolve the issue such that we were paid.

What do you do if/when you experience a problem on a government project?

First we visit the project with our contractor. Second, if necessary, we visit the government project officer and or contracting officer for the project. Third, we involve one of our retired JAG officer advisors to help resolve the issue.

What happens if a bank refers a contractor to us?

Either they release their UCC-1 liens or they subordinate their lien position to ABR.

What happens if a contractor files bankruptcy?

ABR owns the invoice and waits to get paid because we lent money on an approved government invoice and the assignment directs the government to pay ABR directly.

Do we experience problems with bounced checks?

In our 24 years of business, we have funded thousands of invoices and have only had three checks bounce on private projects. In all instances we still collected our money. On government projects, we are paid via ACH or U.S. Treasury checks. We have never experienced a problem in this area.

What is the largest investment from a new investor?

Preferably no higher than \$500,000. We do not encourage high investment concentrations. We prefer to spread the investment pool with smaller investments because in the event of a death or other extreme emergency, it is easier for us to respond and return funds before maturity.

Do we carry credit insurance? Are monies covered by FDIC?

No, we do not carry credit insurance. It is not necessary, but we don't take losses on government projects. Most of our money is working on projects, not sitting in a bank account. We do not maintain high balances with our bank because most investor money is working, therefore FDIC insurance is not a concern.

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