

FACTORING = A CONTINUOUS LEVEL OF CASH FLOW

Factoring is a financial transaction whereby a business **sells** its accounts receivables (i.e., invoices) at a discount. We wire you 80% CASH into your checking account within 24-48hrs upon receipt of your invoices. Factoring differs from a bank loan in four main ways.

	BANK LINE OF CREDIT	FACTORING
Type Of Instrument	Debt Instrument or loan	Non Debt
Emphasis	On credit worthiness	On value of your accounts receivables
Collateral	Uses all your assets including inventory, machinery & receivables, etc.	Your Receivables (i.e., your client's promise to pay us)
Credit Line	Will base your credit line on today's performance yet rarely goes above 50% of your monthly AR and therefore sets your business up to fail.	Gives credit lines higher then your AR so you can grow. Will give \$600,000 when you are only doing \$400,000/mo because Factoring is the only finance mechanism directly linked to a company's sales.,
Parties Involved	Two (You and the Bank)	Three (You, the Client and the Factor)

- 1) **FACTORING CREATES VELOCITY OF MONEY** - Allowing you to take advantage of more opportunities, become more competitive, increase productivity, decrease costs, increase production and increase the bottom line. Factoring allows a business to put itself in a position where it can **chase orders rather than chase the funds tied up in accounts receivables. "A sale is not a sale until you collect the money"**.
- 2) **LEVERAGE** - is using other people's money, to make money. Factoring allows a business to use other people's money to do more business volume, and the larger volume will result in a higher profit margin because fixed costs do not increase with volume. The added business at a higher marginal profit leads to an increased overall profit margin.
- 3) **OPTIMIZATION** - is when you take something as far as it will go. "It's simply getting more results, in less time with more profits within a smaller element of time." Income can be leveraged but not optimized. Perhaps the most attractive aspect of factoring is a continuous level of cash flow into a manager's hands, allowing business planning and operation in a timely and efficient manner. The factoring system also means available financing automatically adjusts to your unique rate of business growth because increased cash is triggered by new invoices. Factoring is the only finance mechanism directly linked to a company's sales. And with bookkeeping, accounting and collection off your employees' backs - the factor (ACC) will do all this for you - expanded capital inflow is guaranteed with much more time to devote to efficient production, better service and expanded sales promotion.
- 4) **SLOW TURN RATE = LOSS OF ORDERS** - Statistics show that contracts or purchase orders caught in the backlog get canceled at a rate of 15-20% (except in the most specialized industries). In most cases the customers simply choose not to wait and go with another vendor. With cash on hand, a business can hire talent, buy machinery and mobilize its resources to meet the immediate demand.
- 5) **ARE YOU PROVIDING INTEREST FREE FINANCING FOR YOUR CUSTOMERS?** There is nothing worst than putting money out on the street and not getting paid for it. **Time is money** and having money NOW represents the POWER to take advantage of opportunity. Many companies publicly admit to stretching out payments for 30, 60 or even 90 days on all invoices, with the specific intent of controlling costs and maximizing profits. There is no doubt that it works for them, but their cost-saving strategy is executed at your expense if it's your business waiting for that check.
- 6) **LET YOUR VENDORS HELP PAY THE FACTORING FEES** - Cash on hand means you could buy your materials from you vendors at the usual 2% net 10 days and or pay COD for up to 4-5% discounts. When a client combines the ability to offset the cost of factoring with the increase in production realized by accessing more materials to fill more orders within the same month,) the profit generated from this additional business goes straight to the bottom line.

Discount fees for factoring can be as low as 1% for larger accounts and 2% or more depending on volume risk factors. Each account is different and unique. Our prospective clients simply need to complete a one page application and provide us with a copy of your latest Aging Report. We will do our due diligence and come back to you with a factoring strategy that is tailored to your business.

CASH FLOW IN TODAY'S ECONOMY

"In an environment of falling demand and liquidity risk, most companies will have no choice but cut costs and raise cash," Leadership in economic uncertainty means astutely protecting your options and managing cash flow because lack of liquidity will be "an ever-present lethal threat," Businesses must prepare for any worst-case scenario that arises. **Having a factoring program in place may be essential for survival since it gives a business immediate access to the cash it needs to survive.** "Consider also that hard times may last longer than you think," Studies show that the primary reason companies fail is not under capitalization, but poor cash flow.

Consider the recent problems with the U.S. auto industry. "None of the three auto makers had a comfortable margin of cash on hand. With dismal sales, they were not generating much cash, and a lot of that cash essentially was locked up in inventory. They couldn't borrow substantial amounts because of the credit risk, and by that time they had sold most of their presumed non-essential assets." After spending their careers in a single-minded pursuit of growth, top executives are now having trouble changing gears. Growth should be pursued only if it is profitable and cash-efficient. Obtaining bank debt to fuel growth is not only more difficult now, but it increases debt ratios and creates long term liabilities and deteriorates your credit rating. Factoring **creates no debt**, it is **not tied to your credit worthiness**, **it is fluid, spontaneous and can be used only when necessary. You factor the receivables you want when you want.**