

There is More Than One Way to Finance Your Business

THE FACTORING OF ACCOUNTS RECEIVABLE

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-PLETCH-

"YOU WANT A LOAN, YOU SAY? HA, HA, THAT'S A GOOD ONE!... WHERE IN THE WORLD DID YOU HEAR THAT BANKS MADE LOANS?!"

WHAT IS FACTORING?

- ❖ BORROWING MONEY FOR WORKING CAPITAL
- ❖ NOT BASED ON YOUR OWN CREDIT
- ❖ BUT BASED UPON YOUR ACCOUNTS RECEIVABLE
- ❖ LEVERAGING OFF YOUR CUSTOMERS GOOD CREDIT

ACCOUNTS RECEIVABLE

- ❖ MONEY OWED TO YOU BY YOUR CUSTOMERS
- ❖ A LOAN TO YOUR CUSTOMERS....30, 40, 50 + Days
- ❖ FACTORING CONVERTS YOUR A/R TO IMMEDIATE CASH

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TYPICAL EXAMPLE

- 1) \$10,000 INVOICE TO CUSTOMER
- 2) FACTOR ADVANCES TO YOU 75% (\$7,500)
- 3) FACTOR COLLECTS \$10,000 INVOICE PAYMENT FROM CUSTOMER
- 4) FACTOR REBATES TO YOU THE REMAINING 25% (Less Factoring Fees)

WHAT INDUSTRIES FACTOR?

- ✓ BUSINESS TO BUSINESS (B2B)
- ✓ MANUFACTURER
- ✓ DISTRIBUTOR
- ✓ WHOLESALER
- ✓ SERVICE
- ✓ TRUCKING

WHAT RECEIVABLES GENERALLY ARE NOT FACTORED?

- × RETAIL SALES TO CONSUMERS
- × QUICK PAY (COD, 24-48 Hours)
- × VERY SLOW PAYING CUSTOMERS
- × HIGH SALES VOLUME WITH LOW MARGINS
- × PROGRESS BILLING

COMPANIES REQUIRING SPECIALTY FACTORING

❖ CONSTRUCTION

❖ MEDICAL RECEIVABLES

❖ INTERNATIONAL



"Where I come from it's called collateral."

BENEFITS OF FACTORING

- + PROVIDES IMMEDIATE CASH FLOW WHEN YOU NEED IT
- + TIMELY PAYROLL, SUPPLIER PAYMENTS, RENT, ETC.
- + TAKE ADVANTAGE OF EARLY PAYMENT DISCOUNTS
- + HELPS ESTABLISH GOOD CREDIT
- + PROVIDES FINANCIAL FLEXIBILITY TO FILL NEW ORDERS
- + QUICKER COLLECTIONS
- + COMPREHENSIVE BILLING AND COLLECTION REPORTING
- + IT'S NOT A BANK LOAN WITH STRICT FINANCIAL COVENANTS
- + BORROW AS YOU GROW – WHEN YOU NEED THE FUNDING

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*"A BANKER IS A FELLOW WHO LENDS
YOU HIS UMBRELLA WHEN THE SUN
IS SHINING AND WANTS IT BACK
THE MINUTE IT STARTS TO RAIN"*

-- MARK TWAIN

FACTORING IS IDEALLY SUITED FOR CHALLENGING SCENARIOS

- UNDERCAPITALIZED – Unable to Fill Next Order
- REJECTED BY BANK
- LOW FICO SCORES AND CREDIT PROBLEMS
- START UP COMPANIES
- POOR HISTORY OF PROFITABILITY
- TAX LIENS – Must Obtain Subordination
- SEASONAL CASH FLOW
- RAPID GROWTH MODE

WHAT ARE THE KEYS TO BEING APPROVED BY A FACTOR?

- ✓ QUALITY OF YOUR CUSTOMERS
- ✓ VERIFICATION OF ACCOUNTS RECEIVABLE
- ✓ YOUR ABILITY TO MANAGE YOUR BUSINESS
- ✓ PERSONAL CHARACTER AND INTEGRITY

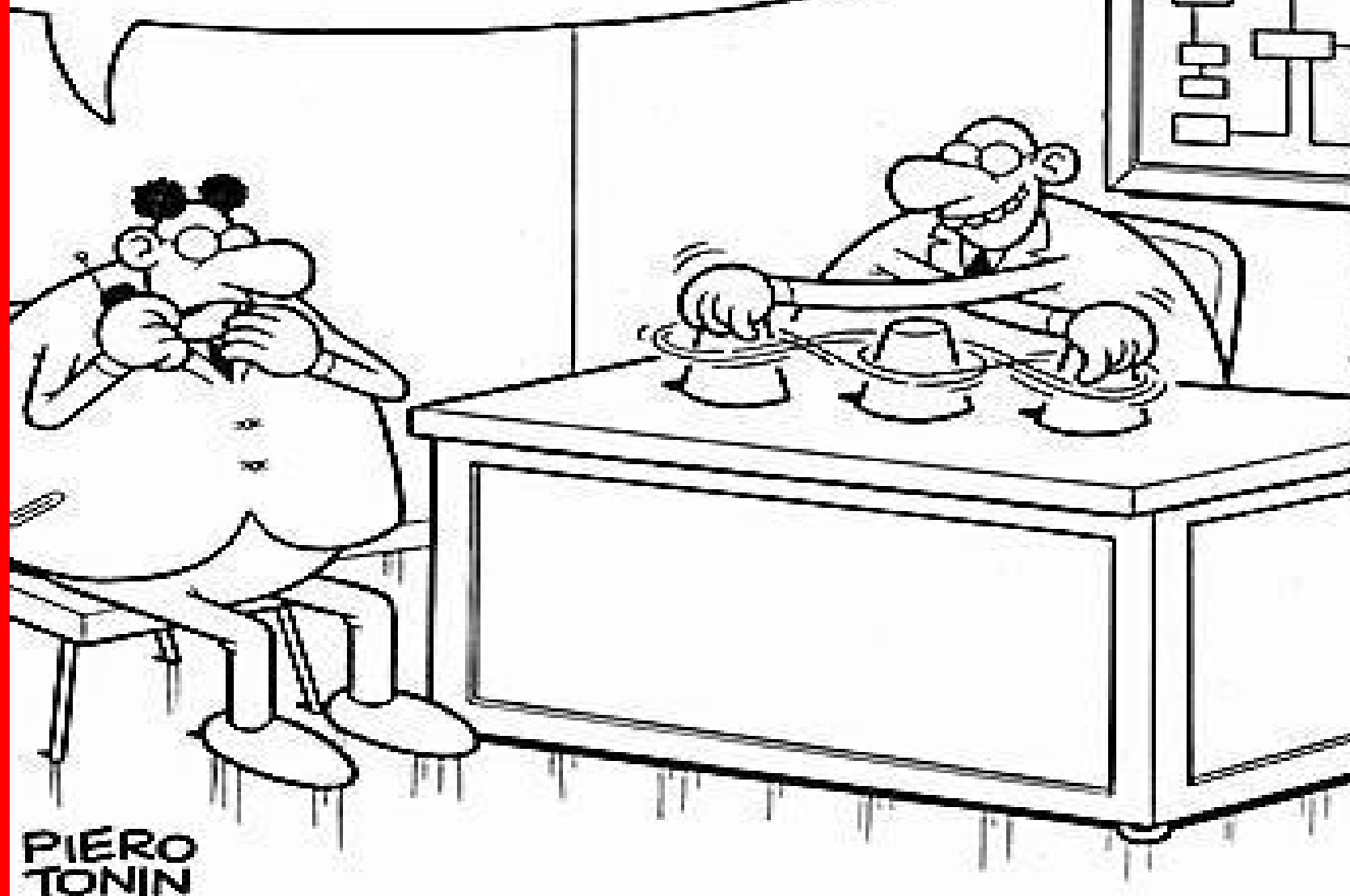


**“I don’t have any cash flow problems.
It all washed away in the flood.”**

WHAT TO CONSIDER IN CHOOSING A FACTOR?

- ◆ EXPERIENCE
- ◆ STABILITY
- ◆ RESPONSIVENESS TO YOUR NEEDS
- ◆ TIMELY AND QUALITY SERVICE
- ◆ IS A CONTRACT TERM REQUIRED?
- ◆ ARE MONTHLY MINIMUMS REQUIRED?
- ◆ IS YOUR FACTOR LOCAL OR OUT OF STATE?
- ◆ ARE YOU DEALING WITH THE DECISION MAKER?
- ◆ DOES THE FACTOR UNDERSTAND BUSINESS?
- ◆ DOES THE FACTOR UNDERSTAND YOUR BUSINESS?

I CAN'T TALK RIGHT NOW.
I'M DISCUSSING STRATEGY WITH
OUR FINANCIAL DIRECTOR.



PIERO
TONIN