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# **Everything You Ever Wanted To Know About Factoring**

# What is Factoring?

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Factoring, sometimes called "Accounts Receivable Funding" is a widely accepted service provided by financial institutions, whereby companies can turn their accounts receivables into instant operating cash. For small businesses, medium sized businesses, and growing businesses, their accounts receivables are their most valuable asset. These assets can be leveraged to provide needed funds for these companies to operate and grow.

Almost every owner of a small, medium sized or growing company faces times when cash flow is low, receivables are high, and the need for immediate cash is critical. Factoring is an alternative to other sources of capital such as asset-based loans, SBA loans or small business loans.

Unlike these sources, with factoring the funding is not based on your company's creditworthiness, profitability, positive net worth, assets, or collateral. Funding is based solely on the creditworthiness of YOUR CUSTOMERS to get you the capital you need to operate your business.

Factoring actually became popular in the garment industry in the early 1900s. Today factoring is common in almost every industry, including professional fields such as manufacturing, computer programming, and medicine.

# What Factoring is NOT

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Factoring is not a loan, and it is not a credit line. There is no debt repayment, no compromise to your balance sheet, no long-term agreements or delays associated with other methods of raising capital. Factoring has many advantages over loans and credit lines. With factoring you avoid credit checks, restrictive covenants, providing extensive financial statements, tying up physical assets, giving up equity, loan payments, and annual loan review processes. Factoring allows you to use your own assets to create cash to meet your company's needs today.

Regardless of the industry you are in, factoring makes sense to provide capital for:

- Funding Payroll
- Covering Operating Expenses
- Taking advantage of trade discounts
- Controlling seasonal cash flow fluctuations
- Purchasing needed supplies or equipment
- Increasing marketing and sales to expand business

By using factoring, you can concentrate on doing what you do best – running and growing your business.

# Testimonials

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"We are a 3 year old company that provides maintenance services for corporate office buildings. Our customers were taking 30, 60, 90 days to pay us, causing severe cash flow problems. We found A.C.F.E. 1-1/2 years ago and can't say enough about their service. They are fast and professional. They solved our problems. We now send them \$60,000 to \$100,000 a month in invoices." *Marla T Maintenance/Janitorial - Services Provider, San Mateo, CA*

"We had never used a factoring company before but got to a point where we needed help. We looked at 4 different companies before choosing A.C.F.E. It's the best business move we have ever made. We don't send them all of our invoices, only the ones we want to get paid on immediately. We now get paid right away, pay our suppliers and help, and go on to the next job – no more slow downs waiting on our money."

*Bryan G. – Areo-Space Gasket Manufacture, Phoenix, AZ*

"Our company provides tower maintenance and repair for telecom companies. The idea of having my receivables (my money) in someone else's hands, in another state, was real uncomfortable for me, but we needed help. I decided to try A.C.F.E. on one job to see what would happen, and it was truly a pleasant experience. Now we send them about \$83,000 per month in invoices. They are super to do business with." *Scott T. – Communication & Tower Maintenance Riverside, CA*

# Benefits of Factoring

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- Generate instant working capital - Get cash for your invoices within 24 hours.
- No financials required.
- No minimums or maximums.
- Easy account setup.
- No need to turn down new business because of lack of capital.
- Easily predict and manage cash flow
- Take advantage of supplier discounts.
- Stop worrying about meeting payroll or paying bills.
- Purchase inventory, meet payroll or paying bills.
- Purchase inventory sooner and fill orders faster
- Increase sales by offering customers competitive extended credit terms.
- Avoid cash flow problems caused by customers with long payment cycles.
- Pay taxes on time.
- Improve your credit rating.
- Increase sales and marketing efforts.
- Ability to reinvest in your business – staff, supplies, equipment computers, software, facilities, etc.
- Daily and weekly reporting of your account status.
- Focus your efforts on building your business – not collections.

# Who should use Factoring

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Some of the signs of cash flow problems are:

- Late payroll deposits.
- In business for 3 years or less.
- Experiencing heavy growth.
- Previous Bankruptcy (Chapter 11).
- Poor record of insurance payments.
- Heavy seasonal sales.
- Tax problems.
- Always chasing customers for payment.
- Loss of significant customer
- Consistent high back-log of orders.

## Here's how it works – Advances and Rebates.

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Once your company is approved, you submit to A.C.F.E./Factor your receivable invoices for products or services that your company has delivered to your customers. You do not have to sell all of your invoices, only the ones you choose to have funded. Invoices can be mailed, faxed or emailed. A.C.F.E./Factor verifies with your customers that the products or services have been delivered, then A.C.F.E./Factor ADVANCES you 80% of the face value of those invoices.

At that point, A.C.F.E./Factor has actually purchased your invoices and there is no recourse to your company for their collection. When A.C.F.E./Factor receives payment from your customers on those invoices, they subtract their fee (usually between 2% and 6% \*) and send you the remaining funds as a REBATE. Therefore you receive between 94% and 98% of the original invoice amount.

Here's an example –

- You submit \$10,000 worth of invoices to A.C.F.E./Factor for factoring.
- A.C.F.E./Factor immediately advances you 80%, or \$8000.
- 40 days later, your customer pays the invoices of \$10,000.
- A.C.F.E./Factor subtracts their fee of 4%, or \$400, and pays you the rebate of \$1600.
- You receive a total of \$9,600 on the \$10,000 worth of invoices, or 96%.

Once your invoices are received, A.C.F.E./Factor funds advances within 24 hours. The funds can be electronically deposited into your account, or we can overnight you a check, whichever you prefer. It's just that simple.

# What will my customers think?

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Factoring is so widely recognized that nearly every retailer in the US includes a blank on their purchase orders indicating whether the invoice is to be factored. Until recently, factoring was only available to companies with receivables of \$20 million or more. Now, with advances in technology, we can serve small businesses without incurring high admin expenses. Due to the increasingly stringent credit parameters of institutional lenders, factoring has become a preferred financial tool for small and medium sized businesses.

Selling your receivables to A.F.C.E. simply changes the address to which your customers remit payments. Your customers do not need to pay faster, and the name on the check (your company) remains the same.

# How do I get started?

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Complete the forms and fax them to us. A Representative will immediately be assigned to your account and will help you every step of the way.

# Choosing a factoring company

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There are 3 important considerations you should use when choosing a factoring company.

## 1) Easy sign-up process.

With A.C.F.E., the process is very simple. Fill out a few forms and we do the rest. Normally we can have you signed up and ready to fund in a matter of 24 to 48 hours.

## 2) Contracts, minimums or maximums.

With A.C.F.E., there are no contracts, minimums, or maximums. You may use our factoring services as conservatively or aggressively as you wish to satisfy the needs of your business.

## 3) Size of the company.

In this industry bigger is not always better. A.C.F.E. is large enough to satisfy all of your factoring needs, but small enough to give you personal attention and service. When it comes to your money, service is more important than big glass buildings. With A.C.F.E. you are a business owner, not a number.

Please feel free to contact Abby Shemesh at: **(928) 846-7922** to proceed with factoring your receivables today. We at **Amerinote Exchange** look forward to funding you soon.