



Trinity Wood

LIQUID CAPITAL TRINITY WOOD CORP

# FACTORING

## Quick Facts

In today's marketplace, many businesses cannot meet their ongoing cash flow requirements entirely through traditional financing. And when that cash flow is unavailable, a company is often obliged to turn away business for that reason alone. Today, there is an alternative: accounts receivable financing - also referred to as "**FACTORING**".

### HOW DOES FACTORING WORK?

- Subject to the necessary credit approvals for a client's customers, Factoring allows the client to meet its cash flow needs immediately.
- By purchasing a client's receivables at 100% of their face value, a substantial cash injection of up to 80% of those receivables [less our fee] is available immediately, with the balance released when payment has been received from the customer.
- In most cases, a term sheet can be issued within 48 hours of receiving a request - initial funding is available within 7 days.

### WHY CHOOSE FACTORING?

- Factoring is NOT a loan - there is no debt to repay; balance sheets become more attractive; financial positions are solidified and no long term agreements are required.
- In a Factoring arrangement, there are no financial ratio tests or restrictions on earnings withdrawal and no requirement for specific personal security (which can involve spousal consent).
- All A/R collections are handled professionally - collection of invoices is FAST TRACKED, dramatically reducing collection costs.
- Clients can eliminate the cost of handling collections internally, and receive detailed, monthly summaries and reports.
- Early payments to suppliers, as well as volume discounts on purchases can often offset the cost of Factoring.
- Cash flow now provides liquidity to pay vendors and suppliers on time, enhancing credit ratings for obtaining additional credit.
- Ownership percentages remain unchanged with a Factoring arrangement, unlike the introduction of venture capital partners.
- A client can appear financially stronger, and able to advance longer, more competitive terms of payment to its customers.
- Periods of up to 90 days are allowed for invoice payment, failing which the receivable is charged back to the client, or acceptable substitute invoices are provided.

### WHY CHOOSE US FOR YOUR FUNDING NEEDS?

- We provide Spot Factoring [the purchase of single invoices] from as low as \$10,000 per invoice.
- We provide Full Factoring [the purchase of multiple invoices to the majority of a client's customers] on total monthly sales of \$20,000 - \$250,000. For monthly sales over \$250,000 to \$1,500,000, we offer Factoring services through our strategic partner.
- We also offer additional forms of Asset Based Lending funding through our strategic partner, including Purchase Order Financing, Inventory Financing and Letters of Credit.
- While we are completely independent - we have our own lenders, our own capital, and our own professional staff - our procedures and processing is contractually handled by Canada's largest factoring entity.
- We offer our clients a completely personalized approach - hands-on and confidential - always available for consultation. And no funding limits are arbitrarily set; availability automatically grows as you do.

### FACTORING TERMINOLOGY

**A FACTOR** is a company or an individual who purchases A/R invoices, on a recourse or a non-recourse basis, providing cash based on the value of those invoices.

**FACTORING COMPANIES** provide operating capital to businesses by purchasing corporate A/R invoices. Liquid Capital Trinity Wood Corp., a Factoring company, purchases A/R invoices for 100% of their face value.

**FULL FACTORING** is the purchase and management of A/R invoices by a Factor who charges a fee. Fees are usually related to the time invoices remain outstanding.

**SPOT FACTORING** is also known as "single invoice" discounting, where a Factor purchases a single invoice or group of invoices from a client's customer.

**ADVANCE RATE** is the amount of money provided to a company at the time its receivables are factored. The amount advanced is expressed as a percentage of the total invoice amount, usually ranging from 75%-85%.

**DISCOUNT FEES** are charged on Factored receivables as a percentage of the total invoice amount, and are applied for the period of time it takes for the invoice[s] to be paid in full.

**RESERVE OR HOLDBACK** is that portion of the receivable not advanced by the Factoring agent until the invoice[s] is fully paid. This amount is expressed as a percentage of the total invoice[s] amount, and ranges from 15% to 25%.

## FREQUENTLY ASKED QUESTIONS

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### **Q: WHO IS THE CLIENT and WHO IS THE CUSTOMER?**

The client is the party that requests financing through Factoring, while the customer is the party who purchased the goods or services from the client, and then repays the Factoring agent directly.

### **Q: IS FACTORING A TYPE OF LOAN?**

NO! Factoring is defined as the purchase of a company's receivables, at a discounted rate. A loan, on the other hand, uses the receivables as collateral, and is reflected on the client's financial statements.

### **Q: WOULDN'T A BANK LOAN MAKE MORE SENSE?**

Banks often have restrictive lending requirements related to personal security, cash flow, ratios, profitability, etc. It prohibits them from making loans to many companies for many reasons, including those who have experienced previous financial setbacks. The fact is, we often get referrals from banks who cannot meet a client's financing needs, but do not want to lose that client to another bank.

### **Q: HOW IS A FACTORING COMPANY DIFFERENT FROM A BANK?**

Factoring companies are not in the "lending" business, and therefore the decision to purchase a client's A/R invoices is influenced by the quality of the customer base and their performance - NOT by number of years in business or the financial strength of the client.

### **Q: IF A FACTOR BUYS MY INVOICES, WHO BILLS THE CUSTOMER?**

Our clients prepare their own customer's invoices and then forward them to us for immediate cash. Liquid Capital Trinity Wood Corp. then mails the invoice directly to the customer, following up [on behalf of the client] to ensure prompt receipt of payment.

### **Q: HOW QUICKLY DO I GET PAID FOR MY A/R INVOICES?**

In many cases, and after establishing an initial relationship, our clients can receive payment for their invoices on the SAME DAY that these invoices are presented to us.

### **Q: HOW ARE FEES FOR FACTORING SERVICES DETERMINED?**

Fees vary from company to company, and from client to client. They are determined by a combination of the client's customer credit-worthiness, average payment cycle, invoice number and size, and Factoring volume. Initial discount rates are between 2% and 5%.

### **Q: DOES A CLIENT NEED TO SELL ALL INVOICES?**

NO! Our clients decide which invoices, and how many, they need to sell in order to manage their cash flow needs. However, there are monthly minimums.

**Factoring allows you to FOCUS  
...on business growth,  
...on generating new business,  
...on selling products and services,  
...on production and manufacturing,  
...and above all - on PROFIT!!**

Factoring allows you to meet seasonal demands; to regulate cash flow and payroll needs; to enhance credit lines; and to reduce paperwork/administration.

Without collateral [other than receivables] and with no geographical limits, Factoring allows your business to acquire immediate cash - on demand - ATM style.

For a confidential assessment of your needs, and a demonstration of how Factoring can help you with your financing needs contact:

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