

The Lawyer's Guide to
ASSET-BASED FINANCE
Special Advertising Supplement to *The National Law Journal*

Factoring of Construction Receivables is Now Very Common and Accepted...



Being a pioneer as a factor in the construction industry about fifteen years ago was an exciting time. Given my previous experience in the construction industry, the concept of contractors and subcontractors who needed advances so that they could fulfill their projects was a natural fit. Typically, these entrepreneurs (some of them

females and minorities), often working in the field themselves needed quick money to make payroll, lease equipment, and buy materials.

These builders usually discovered that traditional banks were reluctant to extend credit based on a variety of their high risk issues: contracts, the economy, inclement weather, strikes and job actions, bid errors, differing site conditions, change orders, impact of claims, productivity of personnel, availability of credible information, availability of capable labor pool, potential bankruptcy of owner or subcontractors where money is owed for goods or services, the valuation system of others.

Since factoring is such a clean, efficient process for getting necessary funds into the hands of contractors, it has growing acceptance and popularity.

Factoring is a service. Quantum Corporate Funding, Ltd., offers to large, medium and small business contracting firms (mechanical, electrical, plumbing, engineering, painters, steel fabricators, sheet metal workers, and more) a

basis to improve their cash flow. A bank requires collateral for a loan with personal and corporate assets. Factoring only requires a contractor's receivables.

Let's say a plumber wanted to factor a job where it was owed \$100,000 on a single invoice for work, materials and services rendered. Quantum Corporate Funding would advance between \$70,000-\$80,000 on what is owed, with the balance less fee, at the time of complete re-payment from the debtor.

Or an electrical contractor could do work for a prime contractor, for a portion of the completed work. In this instance, the subcontractor will use Quantum to increase their cash flow because the prime contractor is usually paying the sub every thirty to ninety days. In essence, the sub while providing the labor and services--- is using their cash flow to finance the prime contractors' activities! (Often, this lag on payments allows the prime contractor enough financing to go out and start more jobs.)

Here is a thumbnail sketch about how factoring works (and there are a number of variations):

—Quantum Corporate Funding, Ltd., would purchase a contractor's approved, commercial accounts receivable at the time the goods are shipped or the service is complete.

—Quantum provides low-cost credit checking on all new and potential customers to help alleviate credit risk. (Even accounts which are not factored can get checked.)

—Quantum provides invoice mailing, processing and postage at an additional cost.

—Quantum provides timely aging reports so the contractor knows the status of all factored accounts.

—Quantum provides professional accounts receivable book-keeping and collection services on the factored accounts.

—Quantum does not require long-term contracts.

A construction/building business should keep in mind that factoring is not borrowing money. It's not even about making monthly payments. It enables a business to receive funds often within five-to-ten business days. Cash flow gets controlled by a determination of how much to factor. The business owner can spend more time focused on growing and expanding the operation, providing better services for customers, instead of getting distracted and embroiled with collection issues, while worrying about having enough money to follow through on all of his commitments and more.

Factoring opportunities range anywhere from as little as \$10,000 per month to more than \$1,000,000 per month. At present, Quantum Corporate Funding, Ltd., serves more than 3000 clients nationwide with revolving credit of up to \$15,000,000 per client.

Any questions about this option can be answered by going to the Quantum website: www.quantumfunding.com, telephoning 212-768-1200 or faxing 212-944-8216.

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