

Accounts Receivable Financing- HOT

Contributed by Gregg Elberg
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Accounts Receivable Financing-HOT explores how the B2B business cycle may fluctuate from not needing financing during the startup, or gestation and development period to discovering that the need for financing is intense, that is to say, HOT.

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The word "hot" has over forty different meanings, according to the Merriam-Webster Online Dictionary. As used in this article, the word "hot" is used to mean:

"6 a : of intense and immediate interest <some hot gossip> b : unusually lucky or favorable <on a hot streak> c : temporarily capable of unusual performance (as in a sport) d : currently popular or in demand <a hot commodity> e : very good <a hot idea>". The words eager, zealous and fresh are second place synonyms for the hot idea of accounts receivable financing.

{bot_wrgoogle}When a B2B business suddenly needs financing fast, it is hot. It is hot because it is on fire with potential business: money is needed to power this growth.

According to the Wikipedia, "'Money (That's What I Want)" was a 1959 hit single by Barrett Strong for the Tamla label, distributed by Anna Records. The song was written by Tamla founder Berry Gordy. It became the first hit record for Gordy's Motown flagship label." The song was hot. It has been recorded by over twenty different artists; it reached number 23 on the Rhythm and Blues Charts. The lyrics to "Money (That's What I Want)", as recorded by the Beatles, go like this:

" The best things in life are free

But you can keep 'em for the birds and bees

Now give me money (that's what I want)

That's what I want (that's what I want)

That's what I want (that's what I want), yeah

That's what I want

Your lovin' gives me a thrill

But your lovin' don't pay my bills

Now give me money (that's what I want)

That's what I want (that's what I want)

That's what I want (that's what I want), yeah

That's what I want

Money don't get everything, it's true

What it don't get, I can't use

Now give me money (that's what I want)

That's what I want (that's what I want)

That's what I want (that's what I want), yeah

That's what I want..."

The Beatles were hot. It is an interesting fact that it took the Beatles many years to personally make substantial money even though they were the hottest band on the planet. For years they sold more records than any other group, but the profits did not find their way into the individual Beatle bank accounts. When in the course of a B2B business' development does the business get "hot"? Here are a few examples:

1) A video game developer labored for years to create novel technology and interesting new types of multi-player games for the internet. They were almost put out of business one year when a burglar broke into their office and stole all of their computers and office equipment. A major corporation in the video game business offered them a contract to develop a new game; substantial progress payments were offered for meeting the contract milestones; the challenge was to meet a very tight production schedule. All of a sudden, the business was hot; they needed to hire thirty new game developers. How could they meet the increased payroll requirements and accomplish the goals in the contract?

2) A small distributor of novelty products from Australia established a California corporation to sell their products throughout the United States. They introduced their product to many major department stores. After of several years of marketing they landed several new contracts for five times their previous year's sales. All of a sudden, the business was hot. How could they pay for the product and provide the items to the department stores?

3) A manufacturer of products for the military struggled to survive for five years. They invented a terrific product. Unfortunately, they were involved in patent litigation and other disputes that burdened them with substantial attorney's fees. After years of struggling, the disputes were settled and the attorney's were paid. The manufacturer was "cash poor". They negotiated an order for their products that was several times their previous year's sales. All of a sudden, they were hot. How could they manage their cash flow to take advantage of the new opportunities?

If these businesses could sing, "Money (That's What I Want)" could be their anthem. Accounts Receivable Financing may be the answer to their universal cash flow issues and requirements for substantial growth. Time is of the essence because these businesses, all of a sudden, are hot.

In five to ten working days, or less, accounts receivable financing may be obtained to make these businesses ready for prime time. The process is relatively simple. The business completes an application for financing. They give the appropriate accounting information and details regarding their customers to the finance entity. The finance entity conducts a due diligence review regarding their financial condition, and the strength of their customers. If there are no issues, a process is started whereby the businesses deliver their products or services to their customers and the finance entity advances 80% to 90% of the contract amounts. When their customer pays the finance entity it pays itself back the funds that have been advanced, deducts the agreed upon fees, and the business receives the difference. This accelerates their cash flow. It eliminates the wait of thirty to ninety days to receive payment from their customers.

Sometimes there are other complicating issues such as tax problems, UCC-1 lien priority matters, subordination of pre-existing financing, the need for purchase order financing to pay for costs of production, or letters of credit to guarantee international trade- all in addition to accounts receivable financing to make financing a hot business work correctly. Often these issues will be overcome successfully.

The bottom line: if your business is ready for prime time and your sales are hot, if you feel like singing "Money (That's What I Want)" like the Beatles, Accounts Receivable financing may be the cash flow solution for your business's success.

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Mr. Elberg is a licensed attorney and licensed real estate broker. Gregg Financial Services is a full service brokerage for commercial finance companies and banks that fund B2B businesses. Mr. Elberg arranges funding from \$25,000 to \$50 million per month at competitive pricing. For more information about GFS, please visit our website: www.greggfinancialservices.com