



FIVE REASONS WHY FACTORING HELPS FUEL BUSINESS GROWTH DURING AN ECONOMIC REBOUND

Media Contact: Barbara M. Fornasiero 248.651.7536; cell: 586.817.8414;
barbara@eafocus.com

Huntington Woods, Mich.---August 23, 2010---Hennessey Capital LLC, a Michigan based specialty finance company providing working capital to small and mid-sized businesses, says more companies are using factoring as a growth financing tool as they begin to emerge from the economic downturn.

"Factoring can be an ideal interim financing solution for growth-driven businesses seeking working capital for quick expansion," says Toby Dahm, a Senior Vice President at Hennessey Capital. "That's why, with signs of an uptick in business activity, including requests for new orders, more entrepreneurs are using factoring to boost their inventories and increase sales to get back in the game."

Factoring, which is the sale of an invoice (account receivable) to a lender (called the factor) in exchange for a fee, frees up cash that would have otherwise been tied up in accounts receivable for 30 days or more. The factor typically advances a business up to 85% of the invoice value then provides the remainder of the invoice value, minus a small fee, to the client when the invoice is paid.

Dahm highlights 5 reasons factoring helps fuel growth:

1.) Closing Process: Quick and Inexpensive:

The paperwork process and closing on factoring agreements are simple, quick and inexpensive, unlike the traditional loan process, and can usually be accomplished in less than a week with nominal closing costs. Many factoring companies do not require a minimum financing volume commitment or term obligation, which means companies can try factoring risk-free and terminate the relationship without penalty.

2.) Accommodates Rapid Growth:

Traditional lenders focus on a company's past results, stability and financial strength—characteristics often not compatible with rapid growth companies. Factoring is focused on current opportunities and the credit quality of a client's customer. Most factors will provide unfettered growth financing as long as the client demonstrates that it is a viable business generating high quality accounts receivable.

3.) Can Complement a Bank Line of Credit:

A borrower typically does not have to choose between a bank loan and factoring. Banks and factors can work together to form a mutually beneficial financing arrangement that enables the client to maintain a low cost bank loan in conjunction with a factor to

provide the incremental growth financing it needs. By identifying certain accounts that the factor will finance, the factor has the first claim on those accounts, while the bank enjoys a senior collateral position on all other assets it previously held as collateral. This type of arrangement enables the borrower to grow at a much faster rate than without factoring.

4.) Small Relative Cost:

The benefits resulting from factoring far outweigh its marginal costs. Often the cost of saying "no" to a prospective client is far more detrimental than having the ability to say "yes" to an opportunity that grows the relationship and the business. For a developing company with a decent gross profit margin, sacrificing a small percentage of profit margin up front to execute the new order effectively could pave the way for enhanced business with those clients in the future.

5.) You Gain an Experienced Business Partner

Many factors have decades of business experience, often as entrepreneurs themselves. They bring this experience to the table, including the evaluation of credit extension to customers; advice as to the structuring of payment terms; collection assistance; accounting assistance relating to accounts receivable; and overall business advice and support. Most factors view their success as being linked to the success of their clients, and this relationship can prove valuable to a business now and in the future.

"Factoring is a centuries old form of financing and there's good reason it has persevered and is gaining renewed popularity today. It makes great business sense for the right companies," Dahm concludes.

About Hennessey Capital

Hennessey Capital provides working capital solutions for growing business-to-business companies that are post-revenue, in transition or otherwise do not meet the credit guidelines of traditional bank lending. Products and services include factoring, asset-based lending programs, receivables management and business coaching. Hennessey Capital is part of the Hennessey Group of companies including Hennessey Enterprises and Hennessey Ventures. Visit <http://www.hennesseycap.com> for more information.

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