"Times are Tough" and "Cash is King." Clients who used to survive waiting on receivables are finding it increasingly harder to maintain their cash flow.

Several weeks ago, I received an urgent call from one of my favorite clients — you know the type, the ones you like who usually listens to you or with whom you may have a disagreement, but in the end there is a mutual respect.

He's always telling me he is "just a pipefitter," yet built an HVAC company with 20 employees that grosses more than $5 million annually. It turns out he needed $50,000 for Friday in order to pay his unions. If he's late, penalties on late union fees can exceed 20 percent.

To compound the problem, the credit line secured by his home was recently cut off, and although he has shown a profit the last three years, no bank wants to loan him money because he is in a "risky" industry based on today's economy. Yet, he usually has at least $500,000 in accounts receivables sitting on his balance sheet.

My solution for him was to factor his receivables — not a perfect solution, but workable. Under certain conditions, factor finance companies or other business entities may be willing to purchase a business' accounts receivables, giving the business cash for a certain percentage of the receivables up front, with the remainder (minus a fee) to follow as payment is received from the customers.

In theory, it's a win/win transaction. The business gets an instant injection of cash, and the factor earns a fee for its services. So when I searched online for factor companies, what came up was The Receivables Exchange (www.receivablesxchange.com).

capital and reinvest that cash into growing their business.

Known as the "eBay of Working Capital" and covered in The Wall Street Journal, The New York Times, Forbes, CFO and Inc., the service is specifically designed to help businesses optimize their cash flow management to increase liquidity.

What I personally like about this idea is the confidentiality aspect — no one knows a third party is involved. An account with JP Morgan is opened in the client's name to collect payments, sweeping to the seller's account each day. All the client's original customer knows is that payment now goes to a JP Morgan bank account. This information comes from the seller, so you hide the fact that you are selling your receivables. The customer is also not required to sell all his receivables; he can pick and choose the ones he wants to sell and the frequency.

Like eBay, as you build successful transaction history on the Exchange, your discount rates begin to drop. You become a hot seller and buyers fight for your receivables, thereby driving the costs down.

In these challenging economic times, the nation's small- and mid-sized businesses continue to bear the brunt of the credit squeeze. Many turn to alternative sources of business financing, and more businesses across more industries are selling receivables to fund their growth of their business. Companies ranging from technology to manufacturing, media to construction and distribution to staffing — from $1.5 million to more than $500 million — embrace receivables financing as a means of improving their cash flow. The Receivables Exchange's new online marketplace has seen greater than 300 percent quarter-over-quarter growth.

I took my client through the online approval process, and he is now in the

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Technology

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