

Clients' Introduction to Factoring with ICC

This orientation includes an explanation of the basic services provided by ICC and a procedural overview of factoring.

What You Will Need Before We Start

To efficiently transact business with ICC, you will need the following:

- Computerized bookkeeping system or check register (i.e. QuickBooks)
- Daily access to a computer with an internet connection
- E-mail address and daily access to your e-mail
- Fax machine with separate line (or e-fax capability)

Basic Services Provided By ICC

- **Credit Underwriting:** ICC will make credit decisions about your customers and establish credit limits based on ICC's assessment of available information.
- **Cash Flow Assistance:** ICC will purchase eligible invoices, providing you with immediate cash.
- **Collections:** ICC will provide you with a Collections Department Liaison who will work with you to obtain status of payments from your customers as invoices become due.
- **Reporting:** ICC will provide comprehensive reports on line for you to manage your relationship with ICC.

Credit Underwriting--Account Eligibility

- ICC will establish credit limits for your customers based on your customers' financial strength.
- You may request credit limits for your customers via ICC's Credit Inquiry System at www.interstatecapital.com.
- You will receive an automated response via e-mail to your credit request.
- You will have access to a listing of all your credit inquiries, your eligible accounts, and their respective credit limits established by ICC on our web site.
- Before submitting invoices for factoring you must make sure the accounts are approved by ICC and that the accounts are not over the credit limit approved on the CIS.

The Funding Process

Faxing Your Memorandum to ICC

- Each time you wish to sell invoices to ICC, you must complete a Memorandum of Sale (also referred to as a "Schedule" or "Memorandum") and fax it to ICC. Please refer to Memorandum in packet.
- A blank Memorandum can be found at www.interstatecapital.com under the button "printable forms".
- Fax the completed schedule to ICC at (505) 589-1999 in the afternoon or evening before sending the original with your original invoices to ICC via Fed Ex. Failure to fax may result in no funding, partial

funding, or delayed funding. Copies of all schedules, regardless of how the originals are sent to ICC, must be faxed. There are no exceptions. Fax to the attention of your Account Representative.

Delivering Your Original Memorandum and Invoices to ICC

Via E-mail:

- Non-trucking companies (including any clients whose customers do not require any original documents) may scan their Schedule, invoices and supporting documentation (i.e. proof of delivery, purchase order, packing list, etc.) and save it as a PDF file.
- Attach PDF file to e-mail addressed to your Account Manager with a copy to jarmenta@interstatecapital.com, ideaquino@interstatecapital.com, and lcortazar@interstatecapital.com.
- In the subject line, put “Schedule No. _____”.
- E-mails must be received by 9:30 a.m. (Mountain Time Zone) to be eligible for same-day funding. E-mailed documents received in our office after 9:30 a.m. will be funded next business day (subject to limitations described later). For added redundancy, don’t forget you must fax your Schedule, even if you are e-mailing it.
- If you do not receive an e-mail confirming our receipt of your documents, **YOU MUST CALL YOUR ACCOUNT MANAGER TO ENSURE ICC RECEIVED THE E-MAIL AND FILE SUCCESSFULLY.** Please call ICC by no later than 9:30 a.m. (Mountain Time Zone) the day you expect funds. If you don’t receive an e-mail from us confirming our receipt of your e-mail, there is a good chance there was a technical problem. You may then be asked to fax your documents to us.

Via Federal Express:

- Trucking companies and other companies whose customers require original documents must send schedules and invoices to ICC’s physical address:

1255 Country Club Road, Suite D
Santa Teresa, NM 88008

via Fed Ex (Priority Overnight) if you wish to receive a wire transfer of funds same day. You may use ICC’s pre-printed Billable Stamps (provided to you in your packet of documents) and ICC will pay for your shipment of packages *to ICC*. You will reimburse ICC for the Billable Stamps as they are used, through a charge to your reserve account.

- For clients using Fed Ex, invoices must be originals and be formatted to fit a standard No. 10 window envelope. Quick Books format is OK.
- Invoices must be accompanied by original bill of lading (signed by consignee) and copy of Rate Confirmation (for trucking clients) or supporting documents like copy of purchase order, packing lists, or proof of delivery (for non-trucking clients).

What happens when ICC receives your Memorandum and Invoices?

Not more than one business day following the day ICC receives your Memorandum and invoices (whether via e-mail or Fed Ex), ICC will:

- Meter, log and mail your invoices to your customers whether or not ICC advances funds. Actual postage charges will be charged back to your reserve account once per month, if applicable.
- Review your invoices and accompanying supporting documents.
- Send Notice of Assignment to any new customer account(s).

- Remit advance to you in accordance with the instructions contained on your memorandum. Below, we will discuss exceptions which may cause funding delay.

Your advance may be denied, reduced, or delayed if any of the following circumstances apply:

- Your schedule contains invoices relating to a customer account which was not first approved by ICC.
- Your schedule contains invoices relating to a customer account that has exceeded the credit limit established by ICC.
- Your schedule contains one or more invoices lacking sufficient supporting documentation, required copies, or original invoice.
- Your reserve account has a negative balance.
- Your schedule contains one or more invoices ICC randomly selected to verify transaction details with your customer.

Zero Advance Invoices (“ZA”)

- To keep track of any invoice(s) against which ICC did not advance you funds, ICC will designate on its books such invoices with a “ZA” (meaning zero advance) preceding your invoice number.
- You may request ICC fund “ZA” invoices at a later date when/if any of the conditions which existed at the date of mailing no longer exist. ICC will remove the ZA from your invoice number and advance any such invoices. We will discuss ZA invoices later.
- A daily report entitled Purchases and Advances is created by our system showing the invoices you sold to ICC, the amount ICC advanced against those invoices, ZA invoices, and the amount deducted from your funding and deposited into your reserve account (if any). This report is available to you on line at www.interstatecapital.com.
- In the event ICC receives payment from your customer on an invoice while it is designated as “ZA”, on the date of receipt of payment, ICC follows the procedure for non-factored payments to be discussed later in this presentation. There is no fee associated with “ZA” invoices.

Reserve Account

- Your reserve account works like a savings account. If the balance in your reserve account is positive, AND you have no unsatisfied obligations to ICC, you may withdraw funds from your reserve account daily, except Monday. You may request withdrawals by phone or e-mail. Funds will be remitted to you by check or wire transfer within one business day.
- There is no hold or restriction placed on the funds deposited into your reserve account, except to whatever extent ICC has the right to do so pursuant to the factoring agreement (i.e. if you have an obligation to ICC which is unsatisfied or you are in default of the factoring agreement).
- Funds are deposited into your reserve account by ICC within one business day of ICC receiving payment on factored or non-factored invoices. The amount deposited by ICC when a payment is received on a factored invoice is calculated as follows:

- Amt. collected
- Less Amt. advanced
- Less Earned Discount Fee
- Less Reimbursable Expense (if any)

Reserve Charges

- ICC will charge your reimbursable expenses, or other obligations you may have to ICC, to your reserve account periodically. Examples of items which may be charged against your reserve account balance include, but are not limited to, reimbursement for your use of ICC's Fed Ex account and postage meter, wire transfers, and invoices which have aged past your repurchase date.

Repurchases

- Your discount fees compensate ICC for invoices which your customers pay prior to your repurchase date. Some exceptions apply.
- You are responsible for any invoices you sell to ICC that your customer fails to pay within this period of time.
- You should remain aware at all times of the aging of the invoices you have sold to ICC by frequently reviewing the Invoice Aging Report on line through eFactor at www.interstatecapital.com.
- ICC gives you a "free" 3-day grace period in which to repurchase an invoice which your customer doesn't pay by your repurchase date. During this "free period", no additional fee accrues. If by the 3rd day after your repurchase date, however, you have not initiated a repurchase (i.e. a request that ICC charge the invoice to your reserve account) **AND** replaced the aged invoice with a new one, ICC is entitled to recover an additional charge to compensate ICC for the additional collection, administrative, and management time required to hold the aged invoice on ICC's books past the time it is contractually obligated to do so. It is YOUR responsibility to repurchase aged invoices in a timely manner to avoid additional costs.

The Reserve Account Report

- All transactions which affect your reserve account balance appear on your Reserve Account Report, available to you on line through eFactor at www.interstatecapital.com. Click on the Client Log In Button and enter your user ID and password for access.
- The Reserve Account Report is similar to a bank statement, showing a beginning balance, an ending balance, and all the transactions affecting the balance for the desired date range.

Non-Factored Funds

- It is not uncommon for ICC to receive funds from your customers relating to invoices which ICC never factored (i.e. ZA invoices) or invoices ICC factored, but you subsequently repurchased.
- In either event, ICC's receipt of such funds is accounted for as "Non-Factored" in your reserve account.
- Unlike the rest of the funds in your reserve account which remain in your reserve account until withdrawn by you, non-factored funds are automatically and immediately disbursed to you in the form of a check, mailed via first class U.S. mail. Allow approximately one week from date of receipt by ICC for you to receive ICC's check in the mail. Expedited service is available upon request on a case-by-case basis.
- In the event you have any unsatisfied obligations to ICC or you are in default of the factoring agreement, ICC may apply your non-factored funds to such obligations without notice. Non-factored

funds, like funds in your reserve account, serve as part of the collateral you have assigned to ICC to secure your obligations to us.

ICC Collection Policy

- One ICC Collections Department Liaison will be assigned to collect your invoices. This person will be very much like an extension to your own collection staff. Any collections questions or concerns should be directed to this person, and they will, in turn, direct them to the correct person.
- An ICC collector will attempt to obtain and maintain the payment status on your factored invoices once they become aged on ICC's books for 35 days or more.
- You may remain actively involved in the collection process provided that, when making collection calls to your customers,: i) you first check with your ICC Liaison to see if ICC already has status of payment; ii) you share information with ICC to avoid ICC duplicating your efforts (and disrupting your customers); and iii) you remind your customer of their responsibility to issue payment to ICC. Never request a customer to remit a payment directly to you—even if it relates to non-factored invoices.

The Notice of Assignment

- Once you factor an invoice, your customer is notified via certified mail that all payments from that date forward are to be remitted to ICC until notified by ICC.
- Reminder notices (stickers) are also placed on your invoices by ICC.
- Once your customer is notified of the assignment, you are free to factor as many or few of that customer's invoices as you wish (subject to certain limitations). ALL payments on ALL invoices (factored or not) are to be remitted by that customer to ICC, which will identify immediately upon its receipt, whether or not a payment relates to factored, non-factored or both categories of invoices.
- Never attempt to terminate an assignment unilaterally (without written permission from ICC). Doing so is a serious violation: civil and criminal penalties may apply. Any attempt by you or any other party to collect payments from your customers previously notified of ICC's assignment may result in your customers receiving sternly-worded notices in which they are reminded that they remain liable to ICC.
- Funds which your customers remit to you in error, contrary to the instructions contained in the Notice of Assignment, must not be deposited by you or your employees into your checking account. Immediately notify ICC.
- Such funds must be segregated and sent to ICC immediately to avoid incurring additional charges by ICC. It is not necessary to endorse checks you receive in this manner. You have given ICC the right to endorse checks.

Expense Minimization Strategies

- Do not deposit checks remitted to you in error by your customer.
- Avoid a bankruptcy filing. Notify ICC before filing bankruptcy.
- Avoid tax liens by keeping your payroll taxes current.
- Do not obtain an advance payment or deposit from your customer or issue a credit without first notifying ICC and then properly reflecting such credits on the face of your invoice.
- Do not terminate the agreement early. If you wish to cease factoring, simply stop selling your invoices to ICC.
- Track credits unilaterally taken by your customers through use of your Reserve Account Report. Seek to recover those credits.

- Combine transactions (fundings and reserve withdrawals) whenever possible. Don't fund three times per week when once per week will do.
- Don't request wire transfer when Fed Ex will do.
- Subscribe to Compunet (if in the trucking business).

On Line Report Access via eFactor

- All your reports relating to your factored accounts are available to you on line 24 hours a day at our web site, www.interstatecapital.com.
- Click on the Client Log In button and enter your user ID and password. Following is a description of available reports:
- **Invoice Aging Report:** shows all invoices you sent to ICC (including "ZA" invoices) aged by category, 0-15, 16-30, 31-45, 46-60, 61-90, >90.
- **Reserve Account Report:** shows your beginning and ending reserve account balance and all transactions affecting your reserve account balance, with invoice-level detail.
- **Collection Report:** shows all checks received by ICC, including check numbers, check amounts, from whom the checks came, and how ICC applied the checks, with invoice-level detail.
- **Purchases and Advances Report:** shows all invoices purchased by ICC (including "ZA" invoices), the amount of gross advance, the amount deducted from the advance and deposited in your reserve account (if any) and the net amount of your advance.

Note: Some reports are available in multiple formats and all reports (except for the Invoice Aging Report) may be customized for any date or range of dates you desire to view. Ask your Account Representative for assistance.

Customer Service

- ICC will assign an Account Representative to your account. This individual will be responsible for providing customer service and attending to your needs (except for collections, which is handled by your Collector). Your account rep also has a back up person, in case your account rep is out of the office or otherwise unavailable.

Thank You For Your Business!

- ICC appreciates your business and we hope that if you know of other businesses in need of factoring, you will think about referring them to us.
- We rely on word-of-mouth advertising. Our clients are our best source of referral business!