

Explanation of Reserve Account and Reserve Transactions

The easiest way to understand your reserve account is to pretend it's a bank account. In fact, it is very similar to your bank account. It is an account that holds "your" money; there are transactions which increase its balance (like a deposit); there are transactions that reduce its balance (like a withdrawal) and the balance can become negative (like an overdraft).

One thing that makes your reserve account different from your bank account is that ICC has the right, in certain circumstances, to make withdrawals on your behalf when you have an obligation to ICC--or ICC may take money from your "fundings" (proceeds of purchased invoices) and deposit the money into your reserve account to bring the balance back to zero if, for example, the account balance is "overdrawn" (negative). Ideally, your reserve balance should always be positive or zero. Provided your reserve account has a positive balance AND you have no unsatisfied obligations to ICC, you may withdraw funds from your reserve account Tues.-Fri.

Your Reserve Account Report shows all transactions which can affect your reserve account balance. The report can be run for any period of time. It is important to review every Reserve Account Report you receive from ICC. The report contains valuable information which, if ignored, can cost your company lots of money.

Following are the types of transactions which may affect your reserve balance:

"Invoice"

When ICC receives payment on an invoice from your customer and ICC closes the invoice, it is referred to as an "Invoice" transaction. This transaction puts money into (*increases*) your reserve account. The amount of the increase is shown in the column, "Reserve Change" on your Reserve Account Report. Typically, the reserve change (*increase*) represents the invoice amount, minus the advanced amount, minus the fee.

"Credit Memo"

This transaction occasionally accompanies an "Invoice" transaction. The "Credit memo" represents a deduction or discount your customer has taken when paying an invoice. This transaction takes money out of (*reduces*) your reserve account. You will want to keep track of credit memos and inquire with your customers why they are taking discounts and deductions!

"Reserve Charge"

When ICC incurs an expense on your behalf, ICC is reimbursed through a charge against your reserve account. This Transaction takes money out of (*reduces*) your reserve account. The most common reserve charges are for postage, credit reports, Federal Express and wire transfers.

"Apply Reserve"

ICC may withdraw funds from your reserve account and use the money to close down an invoice that becomes aged 63 days or more on ICC's books. Using funds from your reserve account to close down an invoice takes money out of (*reduces*) your reserve account. If an "Apply Reserve" transaction causes your reserve account to become negative, you may see on the same day, a "From Advance" transaction (described later). You will want to keep track of all invoices that are closed in this manner, because your customer still owes the money!

"Disbursement"

When you want to withdraw funds from your reserve account, you may request a "Disbursement". Disbursements may be in the form of a disbursement check or a wire transfer to your bank account, but in either case, a disbursement is similar to a "withdrawal"--it takes money out of (*reduces*) your reserve account. You may withdraw funds from your reserve account provided you have no unsatisfied obligations to ICC.

“Non-Factored”

When ICC receives money from your customer representing a payment for an invoice ICC does not have (or no longer has) on its books, ICC accounts for the funds as “Non Factored”. This transaction put money into (*increases*) your reserve account. On the same business day you see a “Non-Factored” transaction, you should also see an “NF Disbursement”--or Non-Factored Disbursement (see next section).

“NF Disbursement”

When ICC receives non-factored funds from your customer, on the same business day, ICC disburses those funds in the form of an NF Disbursement. This transaction takes money out of (*reduces*) your reserve account.

“From Advance”

If ICC deducts money from your funding (sale of invoice), the funds may be deposited in your reserve account. This is known as a “From Advance” transaction. This transaction sometimes accompanies an “Apply Reserve” transaction when that transaction results in a negative reserve balance. A “From Advance” transaction may also accompany a “Reserve Charge” transaction to replenish reserve funds. The “From Advance” transaction puts money into (*increases*) your reserve account.