

THE FULL SPECTRUM

A Publication of SPECTRUM Commercial Services

SPECTRUM's Improved Guaranteed Participation

The SPECTRUM **Guaranteed Participation** program is almost ten years old! In looking forward to the next 10 years, we have made some changes to the program to make it even more beneficial to our bank partners. The **Guaranteed Participation** continues to be a valuable tool by allowing a bank to maintain its customer relationship with a marginally performing company or to capture a credit with long term potential but needing interim non-bank financing.

So what has changed? **Banks can now participate up to 50% of the credit** facility giving the bank a much more meaningful relationship with the borrower.

The SPECTRUM **Guaranteed Participation** remains a virtually risk-free opportunity for Banks to participate up to 50% of a credit facility on non-traditional credits. The Bank has SPECTRUM's absolute 100% corporate guarantee on the entire participation AND we guarantee to buy back the Bank's participation at ANY time for ANY reason. SPECTRUM also provides the bank with a legally enforceable first out collateral position on all of the borrower's assets. The main benefit is the relationship the Bank maintains with a struggling credit or the relationship a bank develops with a future prospect

Other program benefits include:

- * Added Revenue Stream
- * Provides for cross-sell opportunities
- * SPECTRUM's expertise in managing the credit

Over the years, this has been a very successful program and we hope you will consider these advantages the next time you encounter a troubled credit or a prospect that does not currently fit your credit parameters but who has long term potential.

Recent SPECTRUM Solutions

2005 was a busy year for SPECTRUM, and 2006 has started out very strong. Two examples illustrate our value to both our referral sources and borrowers.

A **manufacturer of equipment for the music industry** was struggling due to increased foreign competition. The bank needed to exit while the company effectuated its turnaround. SPECTRUM was able to increase A/R availability by financing foreign receivables with insurance through the Export-Import Bank. This helped the bank get out whole despite an overadvance on the inventory.

SPECTRUM has been the financial partner for an **automotive parts distributor** for 2 years. They returned to profitability in 2005. As a reward for this achievement, SPECTRUM reduced their overall financing costs substantially. We typically offer rate reductions right in our proposals to benefit borrowers who achieve projected profitability benchmarks. We see these rate reductions as a win-win.

Stay Alert, Be on Guard

(Change Can Happen Quickly)

While this seemingly stable economy tends to provide comfort to a lender's portfolio, it pays to take note of internal signs as well as any external signs that may indicate trouble.

Businesses verging on distress provide signals that can lead to disaster if not properly addressed:

- * Growth plans with insufficient capital
- * Late reporting
- * Loss of a major customer(s)
- * Unexpected layoffs
- * Missed payments
- * Lawsuits or tax delinquencies
- * Negative ratios or spotty P&L performance

These are all indicators that a company may be deteriorating. Listen closely to management's analysis about their business and compare these to the industry trends. Rely on your past experience. Also make note of what you are picking up in the news media or any industry gossip and continue to use your diagnostic tools and prediction models to closely track these credits.

Should any of the above symptoms appear, we recommend that you aggressively assess those borrowing base certificates; watch the ineligibles closely and think about your options:

- * Demand additional collateral
- * Reduce the loan cap
- * Increase the rates
- * Reduce the advance rates
- * Consider short term forbearances
- * Use SPECTRUM as a resource

Thank You!

Our business comes from your referrals. We at SPECTRUM would like to thank you for the referrals you send.

Give us a call and allow SPECTRUM to be a part of your portfolio solution!

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