

THE FULL SPECTRUM

A PUBLICATION OF SPECTRUM COMMERCIAL SERVICES
MINNEAPOLIS, MN · DENVER, CO · DETROIT, MI
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SPECTRUM – Partnering with Banks and Others

“They” say the economy is improving, slowly, and whether it’s true or not that perception alone seems to be bringing the dry powder from the sidelines. Businesses today can obtain financing from a huge variety of sources--hedge funds; investment companies; Tranche B players and more--all seem to have nearly unlimited capital to invest in businesses. This inflow of capital necessitates that banks become even more creative in their new business development.

SPECTRUM can help on those deals that are just not quite bankable yet but have future potential. Our variety of funding programs and our various participation programs for banks allow a business to get the financing they need (from \$50,000 to \$4,000,000) while developing a relationship with the bank for when the company has the results to support bank financing.

Recent SPECTRUM Solutions

SPECTRUM’s offices in Denver, Detroit and Minneapolis have started the year with many new deals. Two examples illustrate our cooperation with banks and other financing sources for a win-win solution.

A *printer* found its bank uncomfortable because one of its larger customers had declared bankruptcy leaving the A/R uncollectible. SPECTRUM and a bank worked together to explore options and together we developed a plan to provide the joint financing the company needed to recover and move forward with its backlog of new business.

A *low production gear producer* also had one of its customers declare bankruptcy causing negative equity. A large equipment & machinery lender and SPECTRUM worked together to provide the company with new equipment loans and accounts receivable financing to improve its working capital position.

SPECTRUM

- *Serving the financing needs of local businesses since 1995.*
- *Creative financing solutions for companies and the professionals that serve them.*

Values of Machinery & Equipment Better or Worse?

From our experience, equipment values declined sharply starting in 2000 and much more so after 9-11-2001. In many cases, machinery and equipment values more than halved. So, where are those values at today?

It depends. It depends upon the age of the equipment, the condition of the equipment, the industry area and if there is a market for the equipment overseas. It also depends on how aggressively the new equipment manufacturers are pushing product.

Thanks to the internet, a large amount of excess equipment is being sold overseas. This has helped to alleviate some of the surplus equipment in the market, but not all of it and not for all industries.

Machine shop equipment that has fairly universal application has seen the freefall ending and there may be some small bounce in its value. Plastic injection molding equipment values have strengthened in the past few months. Printing equipment

may be at a bottom, but there is very little strength in that area yet.

Speaking of printing equipment, we ran into a situation where a value for a certain press several years old was given by the appraiser as \$750,000. The value was based upon the type of press and the number of impressions on the counter. It was thought that the value was somewhat high, so we asked some questions. The pressman checked to see if the counter was working – it was, but he mentioned that the counter had “turned over” at 100,000,000 impressions and the low impression count on the counter should have 100 million added to it. The original appraiser had not asked the question. Checking with another appraiser with the new information, the value of the press was put at \$525,000, a 30% lower value.

The bottom line is:

- ✓ Update your appraisals
- ✓ Work with an appraiser you trust
- ✓ Always examine the appraisal to see if it “makes sense”

Thank You!

Our business comes from your referrals. Without you we could not continue to finance struggling businesses. All of us at SPECTRUM would like to thank you for the referrals you send us.

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

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