

THE FULL SPECTRUM

A Publication of SPECTRUM Commercial Services

The “New” SPECTRUM One-Year Anniversary

Brian J. Van Nevel, Principal

It has been an interesting 18 months for SPECTRUM Commercial Services Company. As many of you know, SPECTRUM was previously a division of Lyon Financial, the successful financial subsidiary of Schwan’s Sales Enterprises of Marshall, MN. Lyon Financial had 9 divisions - 8 were small ticket leasing groups and SPECTRUM was the asset based lending and factoring arm. In August of 2000, Schwan’s decided to cash out of Lyon Financial and re-focus on its food business by selling Lyon Financial to U.S. Bancorp. In March of 2001, my partner Steve Lowenthal and I purchased SPECTRUM along with the majority of our existing loans from U.S. Bancorp with the assistance of local investors and a large senior credit facility from Foothill Capital.

SPECTRUM Commercial Services is now a completely independent asset based lending and factoring company. We celebrated our first year of independence on March 27, 2002 and we are all very excited about the future.

Year One Highlights (and some lows too)

- The SPECTRUM Team – Everyone stayed with SPECTRUM through the transition. We have a great crew.
- New Computer System and Phone System Installed – Lesson: Plan on 4 times as much time and energy and 3 times the cost originally anticipated.
- Our Customers – The recession has brought many challenges to some of our existing customers, but we have been very pleased with their ability to weather the storm.
- Our Friends and Referral Sources – We cannot be more pleased with the support of all of you for the “new” SPECTRUM. The flow of referrals has never been better.

- Gray Hair – So much for genetics, it’s definitely the stress. My farmer father would declare my new gray hairs a bumper crop.

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SPECTRUM’S Focus

Asset Based Lending – We continue to focus on Lines of Credit of \$500,000 to \$3,000,000 secured by accounts receivable, inventory, equipment and real estate. Clients are generally experiencing rapid growth or financial challenges that limit their ability to secure bank financing.

Factoring – We have a very active factoring group for the smaller or more challenging credits. Our factoring clients utilize from \$25,000 to \$3,000,000 per month in financing.

Participations – SPECTRUM has a variety of participation programs from our *Guaranteed Participation* where a financial institution can take a small participation with the right to exit at any time, to standard *Pro-Rata Participations*. We pride ourselves on our flexibility in keeping a bank involved in a credit if they so choose.

Denver Office Re-opened

On January 1, 2002, SPECTRUM re-opened our Denver, CO office. Michael Doyle, who was previously with SPECTRUM, re-joined the firm as a Vice President. Mr. Doyle renews SPECTRUM’s commitment to the Colorado marketplace. We are lucky to once again have Michael’s energy and expertise in our Denver office.

Loss Avoidance 101

With the economy still struggling, there are some basic concepts we often utilize:

- Accounts Receivable Turn – Oftentimes a quick review of A/R turnover may illuminate problems. If the turnover is increasing dramatically, customers aren’t paying, and there might be issues of faulty product, credit and re-bills or false invoices. If the turn has substantially improved, the question is whether there were recent A/R writeoffs of faulty invoices.
- Equipment Valuations – While it involves some legwork and expense, it is crucial to update your appraisals on the equipment supporting term loans in your portfolio. Lately, we have found a *dramatic* decrease in equipment values on liquidation. Also, always request a *forced liquidation appraisal* even if advancing on an orderly liquidation basis. This will prove very useful because ultimately the foreclosure and sale of equipment generally occurs on more of an auction basis. Also, be wary of lending against furniture, fixtures, computers, shop tools and the like. These items will either be “missing” or of little or no value in liquidation.
- Unannounced Site Visits – Our motto is “when in doubt-stop out”. It is truly amazing what information you can find on the present condition of a borrower by just stopping by unannounced. From seeing outdated inventory to dormant production lines – there is a wealth of information available to you when you stop by on a friendly “social call”.

As always, never hesitate to call us anytime with clients who are unable to secure traditional financing.