

# THE FULL SPECTRUM

A Publication of SPECTRUM Commercial Services

## **Did You Know?—SPECTRUM does A/R Only Financing**

SPECTRUM can quickly finance companies experiencing financial distress as well as emerging companies on the basis of accounts receivable only. As these companies improve their financial position and grow sufficiently, SPECTRUM can graduate them to a more traditional asset-based loan including accounts receivable, inventory, equipment and real estate. SPECTRUM clearly outlines the requirements for “graduation” to an asset based loan right in the initial proposal. This allows us to provide financing from \$50,000 per month up to \$4 million.

## **We Continue to Grow**

SPECTRUM has again added to our audit staff to insure that we maintain the level of service and responsiveness our clients have come to expect.

SPECTRUM has grown nearly 100% in the last 3 years due to referrals from professionals such as yourself who are looking to assist your clients with their financing needs. **Thank you.**

## **Recent SPECTRUM Solutions**

2004 is off to a strong start with SPECTRUM’s financing of numerous new borrowers. Our offices in Denver, Detroit and Minneapolis continue to see a flurry of activity from you, our referral sources. Two examples of our recent accommodations include:

A local management group approached us about purchasing their *seafood distribution* division from the parent company. SPECTRUM worked with the consultants and owners-to-be to put together a \$2,500,000 accounts receivable and inventory financing accommodation. SPECTRUM also worked with the existing lenders to facilitate a large cash payment at closing. **A win for all involved.**

A *medical products importing and distribution business* found their large bank owned asset-based lender suffering from “lender fatigue” which translated into large forbearance fees for the company. SPECTRUM developed a creative solution involving some outside collateral which allowed the prior lender to be paid in full and gave the borrower the breathing room they needed.

### **SPECTRUM**

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

## **THE LURE OF CHINA**

There will always be a country somewhere in the world where goods and services can be obtained at a lower price than within the U.S. So, the lure of cheap Chinese goods is nothing new – right? Maybe not, the degree to which U.S. companies everywhere are transferring some or all of their sourcing to China is unprecedented.

In Detroit, there is an array of companies supporting the auto industry. A major goal of these businesses is the reduction of labor costs. Several years ago, outsourcing to non-union shops was the answer. Then NAFTA became the answer with many of the suppliers establishing facilities in Mexico. *Now, the Big 3 are telling their suppliers to bid the work as if it has 5% (or more) sourced in China.* Either the suppliers take a significant price reduction or they establish a source in China that can supply them with some portion of the work to keep costs down. Ford “re-sourced” about \$1 billion of parts supply to China in 2003. It has a goal of \$10 billion of parts from China by 2007.

GM is asking its primary suppliers to develop tier 2/tier 3 suppliers outside of the U.S.

In 2000, China’s auto industry ranked 7th in the world. It is growing at a pace that it is expected to overtake Italy at number four by 2006 and Germany at number 3 by 2011. The auto industry is indicative of China’s overall economy.

The Chinese economy’s meteoric growth is due to many reasons: WTO recognition, new government attitudes toward business development, labor costs at 10% of that in US, manufacturing overhead costs at about 47% of the US rate, about **700 MILLION** people willing to enter the workforce, limited wage inflation and limited additional costs of business such as environmental related costs. These facts have not been lost on U.S. companies. About 400 of the Fortune 500 companies have invested in over 2000 projects in China. In 2002 alone, over 5,000 businesses relocated from Mexico to China because of cost competitive reasons. The amount of pledged foreign investment is about \$70 billion at this time.

**What could happen to change the current trends?** Social instability, problems in their banking industry, pressure to let their currency float, North Korea and Taiwan—all provide some concern. But, for now, China is a growing force that requires adaptation by US companies. Either we promote our differences through technological and quality advances or join the ranks and outsource labor intensive production as China appears to be here to stay.

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