

THE FULL SPECTRUM

A PUBLICATION OF SPECTRUM COMMERCIAL SERVICES
MINNEAPOLIS, MN · DENVER, CO · DETROIT, MI
TOLL FREE 877.600.2072

SPECTRUM – Partnering with Banks and Others

Generally, the businesses that SPECTRUM lends to fall into two categories. First, the “traditional” asset based borrower, is a distressed company showing weak or negative profitability. We have seen a lot of these companies since 9-11. Lately, as the economy has recovered somewhat, we have encountered more businesses in the second category of asset based borrowers, fast growing companies.

Banks sometimes struggle with extreme growth companies because the working capital required to finance the growth exceeds the banks’ ability to lend based upon typical cash flow, profitability and equity requirements. These companies can be ideal for SPECTRUM since we are looking strictly at the assets of the business.

SPECTRUM lends from \$50,000 to \$4,000,000 to companies that don’t fit within the conventional bank. Ideally, once the performance of the company improves, the relationship moves back to the referring bank.

Recent SPECTRUM Solutions

2005 has been a busy year for SPECTRUM’s offices in Denver, Detroit and Minneapolis. Two examples illustrate our cooperation with banks and other financing sources for a win-win solution.

A *window manufacturing company* was in the special assets group of a bank due to two years of underperformance. The company had focused on developing new product lines and establishing a related company. SPECTRUM and the bank worked together to reduce the bank’s credit exposure. SPECTRUM financed the accounts receivable and

the bank retained the inventory with an amortization schedule that allowed the bank to be paid down as the company reduced its excess inventory.

A *printing company’s* bank was unwilling to give them a line increase necessary to handle increased sales and inventory needs. SPECTRUM provided receivable financing to support the company’s increased sales. SPECTRUM also partnered with a new bank that provided equipment and inventory financing allowing the customer to pay off the existing bank and grow.

SPECTRUM

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

Interest Rates, Oil Prices and US Economic Growth: What’s Ahead for Borrowers

- In the first eleven months of 2005, the Federal Reserve has raised short term interest rates 7 times – taking the Prime Rate from 5.25% to 7% as of November 2nd.
- Crude oil started 2005 in the low \$40’s and has recently traded above \$70 per barrel.
- Third quarter GDP growth came in with a healthy increase of 3.8%.

With oil prices on the rise, GDP growth strong and continued inflation concerns, expectations are that the Fed will, in all likelihood, continue to raise short term rates. While Fed Chairman Greenspan often speaks in language that is not easily understood, he has been clear about one thing – his desire to keep inflation under control.

What does all this mean for our borrowers? Well, it’s mixed. For

companies contributing to the current economic growth, the higher borrowing costs and higher oil prices are more easily absorbed. But, we all have borrowers that are still struggling – whether they are in the automotive industry in Detroit, the printing industry in the Twin Cities or the telecom industry in Denver. To these borrowers, higher interest rates add yet another challenge.

Thankfully, no one expects a return of double digit interest rates. So far, inflation hasn’t been a problem and our economy is not close to the “irrational exuberance” of the late 1990’s. But, even though interest rates are low by historical standards, they continue to creep upward.

So what are we doing at SPECTRUM to address this with our borrowers -- (a) increasing our communication; (b) more closely monitoring financial performance; (c) comparing interest expense and borrowing levels in projections to the actual results. Overall, we are trying to stay on top of situations before they deteriorate.

In short, we are doing what we generally do with our borrowers with added vigilance since we are in the trenches with them in dealing with increasingly higher interest rates!

Thank You!

Our business comes from your referrals. Thank you.

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

Bruce A. Gavel
[Signature]

Phone: 952-876-8222