

Looking Good — on Balance

How to Make Your Business a Better Candidate for Financing

By GARY BRETON

It is common for businesses to need conventional financing from time to time for continued growth and maybe even ultimate survival in the marketplace. What, if anything, can a small-business owner do to make his or her company a more attractive candidate to obtain that financing?

There are several areas that are traditionally given a fair amount of weight by a lender when considering your financing request. If you give ample attention to these areas, you can enhance, and in some cases assure, your success in obtaining the necessary financing commitment that you are looking for.

First is the ever-important balance sheet. Along with a supporting profit-and-loss statement, this document provides a prospective lender with an immediate and succinct overview of your company's ongoing business operations and profitability, as well as a reasonable indication of where your company is headed in the near future. A balance sheet that is truly 'balanced' is in effect a snapshot, if you will, of your company's business at a particular point in time. It provides an effective tool when searching for the right financing.

Second is a strategic business plan. All well-run companies, both large and small, employ a business plan that will look out over a period of five to 10 years. It generally includes plans for

strategic growth and related financial projections as to both anticipated income and the financial needs of your company.

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the long haul, and it only makes sense that such a partner would like the comfort level of knowing that you have had the foresight to require such a business plan and are demonstrating your intention to implement it. This is indicative of smart management, which is also an important criteria considered by a lender.

The third area of interest to a prospective lender is a combination of your company's track record and what is happening in your particular industry. It is easy to understand that a company with a proven track record of consistent profitable business operations is an easier sell than a new business start-up.

This is particularly true if your company's business is in a new or relatively untested industry. Providing financing to such an

industry may be viewed as involving substantially greater risk to the lender. As a result, the lender may propose, among other things, aggressive financing terms that you may find hard to live with or unacceptable. The financing you are seeking may be

declined unless you can demonstrate with a fair degree of certainty that the projected growth in this new industry can be realized, or that your company has the ability and is willing to provide strong collateral security for the requested financing.

The fourth and final area that can provide your company with a springboard advantage to obtaining your necessary financing is your proposed collateral security. While no lender will approve requested financing solely on the basis of the value of the underlying collateral to be pledged as security for such credit facilities, offering your prospective lender strong, easily valued, and easily accessed loan collateral is a critical component that cannot be overlooked.

Your collateral may consist of

a security interest in the personal property assets of your company (i.e. furniture, fixtures, equipment, etc.), accounts receivable, real estate mortgages, or personally pledged collateral (i.e. certificates of deposit, brokerage accounts, etc.). The actual value of, straightforward access to, and ease of potential liquidation of this collateral are all considered in the financing approval process.

Consequently, when your company is seeking financing, either initially, as an expansion of existing credit, or as a refinance, it would behoove you to review and consider your company's strengths and weaknesses in each of the above areas. Providing a solid and inclusive financing application package to your prospective lender that addresses each of these areas in a professional and businesslike manner can help assure success in your quest for the right financing for your business. ♦

Gary G. Breton, Esq., is a member of Bacon & Wilson, P.C.'s Banking and Finance Department. His major emphasis of practice includes representation of financial lending institutions, as well as both individual and business borrowers. He also represents business clients in the startup, purchase and sale of businesses; (413) 781-0560; gbreton@bacon-wilson.com.