



Do you know your banker?

Bank of the Pacific

Andy Mesojednik & Kris Liedtke

“What kind of relationship do you have with your banker?”



We are here to help!





What do we do as bankers?

- Lend you money
- Save/make you money
- Save you time
- Add convenience

Lending money



- Lines of credit for operational expenses
- Equipment financing
- Commercial real estate
- Credit cards



What do we need to do our job?





We need the whole picture!





We lend based on information.

- Performance
- Collateral
- Management
- Credit



Looks good on the surface...





May not look the same on the inside.





What information do we want as a “relationship banker?”

- Purpose
- Collateral
- Financial information

Loan Purpose



- We want to know why we are lending you the money you are requesting. This helps us to determine the proper type of financing.

Collateral



- We want to know what you are willing to put up as collateral to secure the loan. This also helps us determine the proper type of financing.
- Be specific on what you own. Model, S/N, year, hours, attachments. Write it down and keep this list updated, as this list will also help your accountant.

Financial Information



- Personal tax returns. All schedules. Filed in a timely manner.
- Business tax returns. All schedules. Filed in a timely manner.
- Internally prepared interim statements.
 - This is especially important if your revenues are over \$1MM a year. Not just for us bankers, but for you, the business owner. This helps you ID problems early.
- Current debt schedule.
 - This should include all items that are financed by the company for a period over 1 year through a lease or a loan. Some leases are actually structured like loans.



Financial Information - Projections

- If you are doing something for the first time, or are adding another aspect to your business, this lets us know that you have thought through the process and have an idea of what the potential profitability is.



Personal Financial Statements

- You may ask why we want this information when you have a corporation. My first few questions to you would be...
 - Who owns the corporation?
 - Who controls where the money goes?
 - Who controls the sale of the assets of the company?
 - Who may need to contribute their personal funds if the company runs short of cash?
 - Who will we look to repay the debt if your business fails?

Project information



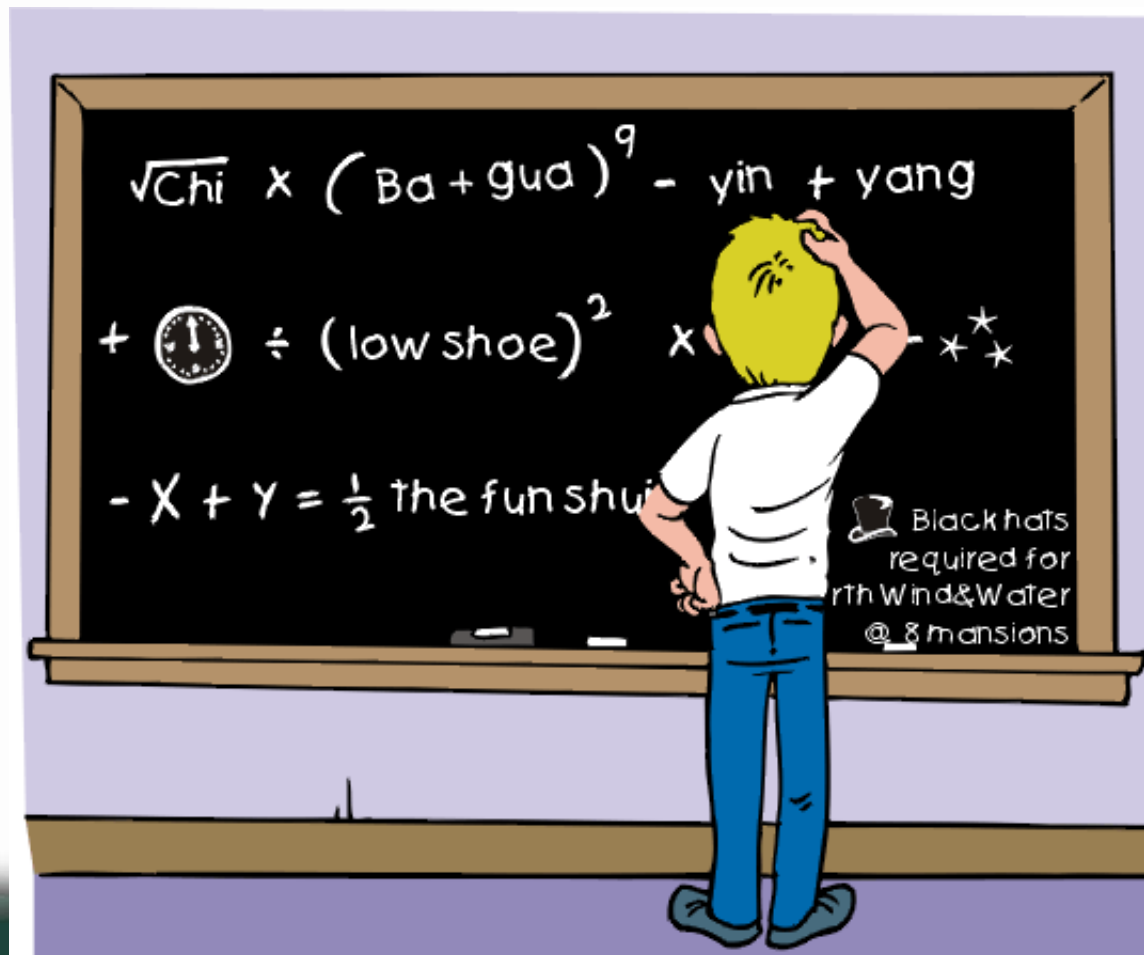
- This is where your banker should be asking you what projects you are working on, what issues are you seeing in the industry, and which of these issues are affecting you.
- Be honest. Even if something isn't going well, the fact that you shared this information with your banker, and your plan to get out of it, will build credibility.

Personal information



- This where the relationship is solidified
- Share your personal goals.
 - Retirement plans
 - Business succession plan
 - Personal financial issues or goals

Proper loan structure



Lines of credit



- Lines of credit are used to cover expenses that will be usually be repaid by cash flow generated from normal operations within a 1 year timeframe, or less.

Lines of credit



- Should pay down to zero annually
- Should not be used for permanent financing
- Pay the line back as soon as cash has been generated from the related use.

Intermediate term loans



- Intermediate term loans are used to finance purchases of equipment or one time capital infusions for your business



Intermediate term loans

- New equipment is usually financed over a 5 year period, with a few exceptions.
- Used equipment is generally financed over a 3 year period.
- Your loan should be paid off either prior to exhausting the depreciation for the piece of equipment, or at the same time.



Long Term Loans

- Long term loans are used to finance real estate or pieces of capital equipment with an extended useful life of 10 years or more.



Long Term Loans

- Terms from 10-20 years are customary for commercial property, sometimes amortized as long as 25 years.
- Cash-out refinances of your commercial property are acceptable when injecting permanent working capital into your business. This is generally done when a business is expanding at a rate greater than cash flow can fund expansion.



Other types of loans

- Leases
- Credit Cards
- Single pay notes
- Balloon notes
- Construction loans

Guidance line



What is it?

Pre-approved equipment financing.



The benefits of a guidance line

- You know that you are already approved for your loan.
- You know how much you can spend.
- You know what your price is for financing.
- You spend less time at the bank for each transaction, and more time at your business.
- You can swap out equipment easily.
- The larger the amount you borrow, the lower the pricing, generally. Larger clients usually have the ability to negotiate.
- Most importantly, you can leverage the equity in the equipment you already own to reduce the amount of cash you need to put down on each purchase so you have the cash needed to conduct business.

Do....



- Talk with your banker regularly. (develops a relationship)
- Be honest, even when things are not going as planned. (Builds trust)
- Get your banker involved in any transactions that may require financing as soon as possible. (shows planning and organization)
- Ask for suggestions. (shows you care about your business)
- Get pre-approved for your equipment financing. Using a guidance line for planned purchases is convenient for all involved and eliminates stress. (saves you time)
- Have your accountant send your tax returns to your banker automatically (saves time for you, and shows planning on your part)

Don't...



- Show up at 4 PM on a Friday needing a check for \$100M for a piece of equipment being delivered next Monday without prior discussion. (shows no planning, or consideration)
- Give partial information or lie. (does not build trust)
- Improperly finance your business. (no credit card or line balances over 1 year)

Questions???



Contact information



- Andy Mesojednik

- Phone: 360-537-4043

- Email: amesojednik@bankofthepacific.com

Kris Liedtke

- Phone: 360-537-4075

- Email: kliedtke@bankofthepacific.com