

Centers of Influence

Commercial Credit is Available, but How Should You Capitalize on It?

By MIKE BROWN

WESTERN Alliance Equipment Finance (WAEF), a division of Western Alliance Bancorporation (WAL) and Torrey Pines Bank affiliate, is considered by many business professionals as a viable alternative to the larger equipment financing companies. This belief rests on WAEF's customer advisory approach and ability to offer capital leases, TRAC leasing and other options to many 'capital intensive' industries, like manufacturing, healthcare, aviation and municipalities. And as many of the larger equipment companies have exited the business, WAEF demonstrated 101% asset growth and 55% asset growth in 2010.

As the person in charge of finances at your company, you probably already know that the way you finance an expensive piece of equipment can cost or save your company money, but are you aware of how much and exactly what to look for when making your final determination? Whether you acquire equipment by purchasing or leasing, each has its own unique characteristics and using the best structure for your situation can have a significant impact to your bottom line and cash flow. These are some of the basic differences you should consider between the two options as you orchestrate your strategy.

Down payment

Traditional terms loans will typically require a down payment with a minimum of 20% of the equipment costs while leases can be more flexible to finance up to 100% of the cost of the equipment, installation, and taxes. Of course the higher balance will increase the size of the monthly payments but the low down payment will allow you to hold more of your cash.

Payment structure

There are exceptions but typically traditional term loans are designed to gradually reduce the loan principal with every payment. Amortization will be less than the estimated life span of the equipment. Leases however can be more flexible with payment plans. For example, by allowing lower payments during the first few months payments can also be tailored to fit estimated cash flows (smaller payments at first, higher payments towards the end). Actual payment size



Whether you acquire equipment by purchasing or leasing, each has its own unique characteristics and using the best structure for your situation can have a significant impact to your bottom line and cash flow.

will also vary depending on your down payment and residual.

Cost

Measuring the cost of the two options can be tricky and one option is not always a better choice than the other given that the lease and loan differ.

What to look for

Loans: Interest rate, down payment required, prepayment penalty, and loan fees (origination, processing, etc).
Leases: Down payment, monthly payment cost versus purchase at maturity, lease fees (origination, processing, etc).

You'll want a breakdown of estimated costs from your lender to compare the two options, there is no cookie cutter best option. Also consider the opportunity cost of a larger down payment and your potential need of that cash.

Capitalization vs. expense

Generally, when purchasing through loans, the principal portion of a purchase is capitalized and offset by gradual equipment depreciation over estimated life span or Section 179 (potentially 100% depreciation in one year) and interest is expensed. Section 179 could be used to offset an estimated large tax bill due to high income in one

given year. Tax Leases can allow you to expense the whole lease payments (essentially both principal and interest portion) thus reducing your taxable income over the life of the payments. Consult your CPA for your specific tax implication.

Residual

Residuals are applicable to leases only, equipment loans are generally fully amortized with no balloon payments at the end. Example of residual: A machine costs \$500,000 and is financed through a \$400,000 lease for 5 yrs. At maturity the residual (the portion of cost that has not been paid) would be \$100,000.

Although having a payment of a residual at the end of a lease might be discouraging, it may have its advantages. First, you have benefited from using the equipment for only a portion of the cost to purchase. If you decide to purchase, the purchase price will be based on the estimated market value of the equipment at the end of the lease. Secondly, you benefit from not having an initial down payment, so your cash position was not impacted when the equipment was acquired. Lastly, after use of the equipment you may or may not want to purchase it outright. End of lease options can be pre-determined for the benefit of the customer. The residual can also

be financed and spread out over another 12-18 months, options are good!

Have a plan

Consider the overall plan, not all purchases qualify for either loan or lease financing. Typically, large equipment can be financed while smaller easy to carry items or supplies are excluded. However, you may be able to finance some of the smaller items if you purchase them as a bundle with the larger equipment. So plan your purchase.

These are some of the basic differences between equipment purchases and leases. Opting for one over the other will have implications to your monthly cash flow, cash position, and taxes, so you may also want to consult your CPA and banker. A good relationship banker, like those found at Torrey Pines Bank, should be able to offer insight and a number of options.

Mike Brown is the President and CEO of Western Alliance Equipment Finance. Founded in 2008, Western Alliance Equipment Finance focuses Arizona, California and Nevada markets and recently cracked The Monitor Top 100 at #73 for 2010 results. Of all the Top 100, WAEF realized the highest growth percentage of any of the Top 100. Western Alliance Equipment Finance and Torrey Pines Bank are affiliates of Western Alliance Bancorporation.

CENTERS OF INFLUENCE

Is Your Law Firm a Center of Influence for Your Business?

By ELIZABETH WELDON
and LINDSEY MARTINEZ

THE most effective business law firms are those that work to forge a role as an effective center of influence for clients while placing value on the opportunity to become trusted advisors. These relationships should be built on reliability and clear, complete and timely communication. While every relationship is unique, the key points discussed below are central to how an effective firm should communicate with clients to create an environment that allows the firm to meet the shared goals of protecting and enhancing the clients' businesses.

1. Communicate Early and Often

Good communication early in an engagement creates the high level of trust needed to achieve clients' business goals. In order to facilitate clear communications at the outset of a legal matter or relationship, the best law firms will work with the client to understand the expectations and preferred means of communication. Whatever the chosen mode, the firm should create a relationship that is structured around the client's ultimate business objective. Typically, law firms are responsible for providing legal strategy to meet the client's goals. Accordingly, it is an effective practice to give the client regular updates as that strategy is implemented and evolves over the course of the matter. It is important for the client to openly participate in the creation



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of the strategy, as these early discussions will guide the decision-making process and costs for the duration of the matter.

2. Candid Conversation About Cost

The cost and budgetary parameters of the matter should be addressed in the initial discussion and revisited throughout each stage of the engagement. Communication about budget expectations should be candid and thorough in order to establish manageable guidelines that are in line with the big picture realities the company may be facing. Some businesses make quarterly or annual legal budgets and these budgets can affect the decision-making process in individual legal matters. Clients should be provided with a detailed budget, providing estimates of tasks and timing, while also factoring in the level of uncertainty inherent in any legal matter.

Alternative fee arrangements and other ways to work around budget issues should also be explored, if desired by the client.

3. Plan for Deadlines and Scheduling

The law firm should focus on providing counsel and feedback to clients with enough time to review the information in a meaningful manner. The expectation from the client is that they will give a problem or task to the firm as soon as possible to give sufficient time to completely address the matter and achieve the best result.

4. Understand and Manage Expectations

One key to a successful relationship between businesses and their law firms is both learning and managing expectations. The client must communicate what would be a "win" or successful outcome. This goal may also change over time based on newly

discovered facts, budget considerations or business objectives. Likewise, what may be an acceptable outcome in one matter may not be in another. Effective counsel routinely check in with the client to confirm the mutual understanding of the objective.

5. Analyzing Results

Conducting an analysis when a matter has come to a close is crucial to cementing a continued partnership. This review examines approaches where there was a high degree of success as well as any adjustments that might be made for a better result in the future.

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Los Angeles Business Journal's

Book of Lists 2012



A compilation of lists of top-ranked companies published in the Los Angeles Business Journal over the course of 2011, the **2012 Book of Lists** is highly coveted by our subscribers and the LA business community.

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Examining the Role of a Financial Advisor

IN a society that grows more complex every day, consumers are presented with the constant pressures of family, career, and community responsibilities and personal enrichment. The financial marketplace is ever-changing with new laws, regulations, economic events, market changes, product offerings and conflicting media messages. Making the right financial moves at the right time is critical to achieving security and accomplishing personal objectives.

A personal advisor guides the financial planning process: goal identification, data organization, analysis, problem identification, recommendations, and most important - plan implementation and results monitoring. Your advisor will help you save, spend, invest, insure and plan wisely for the future.

A **Registered Financial Consultant** has met the qualifications required to serve the public effectively, and moreover, is committed to essential professional continuing education. You can't delegate your job, career, civic or family responsibilities - but you can obtain qualified, professional financial advice and service.

What is the RFC Designation?

The Registered Financial Consultant (RFC) is a professional designation awarded by the International Association of Registered Financial Consultants to those financial advisors who can meet the high standards of education, experience and integrity that are required of all its members.

The IARFC is a non-profit professional

organization from which to choose a personal financial advisor. It is the only professional organization that requires all of its members to meet and document seven stringent requirements of education, experience, examination, integrity, licensing, ethics and a significant amount of continuing professional education.

RFC examination process

The comprehensive RFC examination covers a wide range of subject matter; Principles of Personal Finance, Debt and Cash Flow Management, Employee and Government Benefits, Annuities, Securities, Investments and Asset Allocation, Life, Health and Casualty Insurance, Education and Special Needs Funding, Estate Planning, Survivor Income Needs Analysis, and Retirement Income.

RFC continuing education requirements

Each year the RFC must complete a minimum of 40 units (hours) of professional continuing education. This includes college courses, educational symposiums, credentialing courses, distance learning programs and practitioner conferences. Many RFCs are instructors at colleges and conferences.

What about other professional designations?

We hold the RFC designation to be different and perhaps more encompassing. However, the IARFC does not assert that many other professional designations or their organizations are inferior. The public

Making the right financial moves at the right time is critical to achieving security and accomplishing personal objectives.



crediting organization of proven financial professionals formed to foster public confidence in the financial planning profession, to help financial advisors exchange planning techniques, and to give deserved recognition to those practitioners who are truly committed to ethical standards and continuous professional education.

Because there are no consistent licensing requirements for the various persons who call themselves "financial planners" the public has a critical need for a method of distinguishing the qualified and dedicated financial advisor.

What is the purpose of the IARFC?

The primary purpose of the IARFC is to provide the public with a convenient access to a pool of well-qualified practi-

tioners from which to choose a personal financial advisor. It is the only professional organization that requires all of its members to meet and document seven stringent requirements of education, experience, examination, integrity, licensing, ethics and a significant amount of continuing professional education.

How does the IARFC maintain and publish the credibility of its members?

The IARFC removes the designation from anyone who fails to maintain proficiency through substantial continuing education, or who betrays the public trust by failing to live up to its Code of Ethics or by having a professional license revoked or suspended for misconduct or any reason.

This article was provided by the International Association of Registered Financial Consultants.

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CENTERS OF INFLUENCE

Generating Capital for Your New Business

By **ANDREA SANDOR**

As an entrepreneur, you will have to confront the realities of financing a new-business concept. But if you have the proper know-how, you can get the funds you need—and on the terms you prescribe.

Tips on Forming a Banking Relationship

If you haven't been able to form a relationship with a bank before applying for a business loan, investigate the bank you've chosen. Call up and make an appointment with a loan officer. Tell him or her

that you are thinking of seeking financing through their institution and you would like to know more about them. While you're there don't be afraid to talk to the bank president and manager, as well as the loan officer—if you can—to get a feel for their operations and their treatment of smaller customers.

Describe your credit needs, ask what the bank can do for you, and try to determine whether others in your field are among their customers. Make sure your banker understands your business—at least to some degree—and “talks your language.” Before leaving the bank, get some

literature, if you can, on the different types of loans available. Learn about the bank's security requirements for these and other types of loans, and decide which you want to apply for.

When you've picked your lender, call up and make another appointment, this time to apply for the loan. Plan for a long, thorough meeting. Earlier we discussed the preparation of your business plan, including a detailed estimate of the amount of money you need, and a personal financial statement. Take these documents with you. Also prepare a one-page summary, including what the money is to be used for and

how you plan to pay it back. Bankers love facts and numbers, so have lots of both. And do your homework to be prepared to answer any questions. If you like, take your accountant or lawyer with you, but plan to do most of the talking yourself.

Andrea Sandor is a freelance business and finance writer based in Van Nuys.

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We offer deep knowledge of local businesses, an extensive line of innovative banking products, highly personalized service, **uncommon lending capacity** and fast decision-making. And with the support of Western Alliance Bancorporation, a \$6 billion regional bank holding company with operations in Arizona, California and Nevada, it's the kind of community bank Los Angeles businesses deserve.

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How to Choose the Right CPA for Your Business

By **GINA CALHOUN**

THERE are many parts of a business that can be done “solo,” but experts agree that few entrepreneurs are equipped with the knowledge and skill to do their own accounting. At least not to do it right. Besides, having a professional accountant can provide a valuable check and balance system for your ideas. A good CPA can point out flaws and opportunities that you might miss. He or she can suggest changes in your operations or plans that often literally save thousands of dollars. They can take away tax headaches, and leave you free to do what you need to do most - sell your product or service.

Some points to consider when choosing an accounting firm:

1. Make a list of accounting firms or CPA's to consider.
2. Schedule appointments with the principals (owners).
3. Explain that you will be interviewing several firms before deciding.
4. Bring a copy of your business plan draft, if possible.
5. Explain your company concept.
6. Explain the services you require and the cost.
7. Ask what other services can be provided and the cost.
8. If another accountant in the office will handle your account, interview them separately.
9. Ask for references.
10. Promise to give an answer by a specific date - and keep it.

Gina Calhoun is a freelance writer.



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Torrey Pines Bank is an Affiliate of Western Alliance Bancorporation.

CENTERS OF INFLUENCE

Your Business Banker: A Key Financial Resource

LIKE many business executives, you might turn to your attorney or accountant for professional expertise and advice on growing your business and managing your finances.

But do you also have a good business banker you can rely on?

If not, maybe you should. A relationship with an experienced business banker who understands your industry and your strategic direction can be a great resource for streamlining your business and improving your finances.

Business bankers offer far more than access to financial services. At California Bank & Trust, for example, our commercial bankers regularly help clients arrange for more cost-effective financing, structure cash management solutions to streamline operations, and manage cash flow.

With a seasoned business banker on call, you can take advantage of advice on ways you can:

- Assure that your cash balances are earning the highest possible yield
- Streamline cash management to save money and eliminate tedious manual processes
- Select the best financing options, whether a loan, line of credit, or lease
- Save time when applying for financing



through direct access to decision makers at the bank

- Manage currency or foreign exchange risk more effectively
- Improve your personal finances through a network of wealth management advisors

For example, your banker may be able to spot certain patterns in your transactions and suggest a solution that clears

your deposits more quickly, or perhaps recommend new approaches for managing your payroll with less cost and complexity.

The best business bankers take pride in building long-term relationships with clients, dedicated to understanding your business goals and the unique aspects of your industry. They should also take a proactive approach to reviewing your

needs on an ongoing basis.

One aspect of business banking is convenience and roots in the local community. With more than 100 branches throughout the state, California Bank and Trust is an example of an organization that has helped California businesses grow and prosper for more than 50 years.

California Bank & Trust, a subsidiary of Zions Bancorporation (NASDAQ: ZION), is one of the largest banks headquartered in California with over \$10 billion in assets and more than 100 branches statewide. CB&T provides a full array of financial solutions for businesses and individuals, including commercial lending, small business lending, SBA financing, cash management, international banking and wealth management. The professional bankers at CB&T are backed by major resources, yet maintain local decision-making authority and regional market and industry expertise. They are committed to providing clients with valuable business and economic insights and to connecting them with the beneficial business relationships they need to succeed. CB&T, as part of Zions Bancorporation, is a proud recipient of 14 Greenwich Associates 2010 Excellence Awards in banking. To learn more, visit www.calbanktrust.com or call (800) 400-6080.

Manage the Balance When Borrowing Money

By DEANNA GALBRAITH

YOUR business plan is working and your company is growing. Now you realize that the second most important ingredient to fueling growth is raising capital. As a small business owner, here are some ways to manage your borrowing costs and obtain more loan funds.

Some of the more obvious assets you have may include your company's cash flow, personal credit cards and your individual retirement account. In addition, you may also be able to borrow on the strength of your character, management experience and customer contracts.

The best way to cultivate a relationship with your local bank is to establish a rapport before you need money. That includes maintaining balances in your accounts, not overdrawing your checking account and not using uncollected funds. Credit card loans are unsecured by the typical interest rate is 18%. Your checking account may help you get a bank overdraft line of up to \$10,000. This line of credit allows you to issue checks for more than you have on deposit up to an agreed amount.

Initially, consider looking to friends and family members for loans. Loans from this group may carry a lower interest rate than commercial loans or no interest at all. Next look to banks and finance companies. The small business community is the fastest growing segment of the financial market today. Nearly one-half of outside financing for small business comes from commercial banks.

Finance companies and banks usually require personal guarantees and collateral. A source of collateral for a loan is your home. The approval rate for a home equity loan is much higher than for the average business loan because of its lower risk to the

lending institution. If you can't repay the loan, the lender of a home equity loan could foreclose on your house. Interest on a home equity loan is tax deductible.

Credit grantors sometimes will grant a loan that is secured by a passbook or securities and a personal guarantee from the borrower and often the member of the family who may have control over family assets. A credit grantor looks for a successful manager with a strong resume, a good credit history and a track record that is without negatives. This is called "Character" and is given more weight than the collateral which is usually required. Another business source are economic

development programs provided by state and local government devoted to the needs of smaller businesses. These agencies make millions of dollars available for loans and/or loan guarantees.

Although most of the loans are made by banks, rather than directly from the government agency, up to 85% of a loan is guaranteed by the Federal or State government. It is worth investigating the LOW-DOC program, which is sponsored by the U.S. SBA and offers a simple quick approach to borrowing.

Recently there has been a surge in independent finance companies formed to provide asset-based loan and factoring to

small companies. Asset-based lenders essentially make loans against accounts receivable, inventory or equipment that the lender can liquidate in the event of a default. For example, an asset-based lender generally extends up to 80% of non-delinquent accounts receivable and interest rates range from 14% to 50%. In summary, loans are based on character, managerial experience and collateral.

Loans cost money, but look for the optimal combination of price and terms, to manage your borrowing costs wisely.

Deanna Galbraith is an independent writer and business consultant based in North Hollywood.

Quick Tips For Effective Bank Selection

By PETER K. ROONEY

TAKING the time to search for the right bank, or potential investor is critical to a company's long-term success.

Regardless of whether you borrow from a bank, you should still establish a working relationship with a financial institution that provides you with services you may need. Many sources can assist you in finding the best bank for your business needs one way is to search the newspaper and Yellow Pages to research how banks position themselves to the public. Look for banks that market themselves as lenders to small and mid-size businesses, or for those with a business lending division. You may also look for referrals from accountants, attorneys, insurance agents, trade associations, vendors, and business peers.

Do your homework

Assemble your financials. Know your histo-

ry. Have information in a readily accessible form, including cash flow and balance sheets, for at least two or three years. The bank will want to see forward projections of how you will be using any money that you borrow and, most importantly, how you plan to pay it back.

Go for compatibility

Choose a banker you'll be comfortable talking with. Pick someone you can trust, because your banker becomes your agent inside the bank. Line up more than one bank contact. Establish at least two contacts inside the bank, beyond your loan officer. Like any other business, bank staffs change, so you should have more than one person familiar with you and your business.

Look for the two-way street

Bankers who earn their keep are more than bankers, they're sources of good business referrals. Ask your banker what business he or she can bring to your company. If

the banker is not interested in sending business your way, then he or she is probably not the right banker for your business.

Be honest

Solidify your relationship by assuring your banker that you will share everything—the good news and the bad. Then follow through. There should be no hidden agenda. You can't expect your banker to take a risk if he or she is not certain that you have been open and straightforward.

Check capacity for growth

If you'll be approaching the lending limits of the bank, chances are it is not the right bank for you. Banks can be too large, but they can also be too small. Choose a bank that can grow with you.

Peter K. Rooney is a freelance financial consultant.