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March 5, 2010

Kent-

**SUBJECT: PERSONAL GUARANTEE ON THE EQUIPMENT LEASES OR NOT-AN ANALYSIS**

Regarding “all corporate or is a personal required”, it is your choice, we are completely flexible and there are pros and cons both ways.

Working as your “advocate” with regard to the 20+ lender banks we have, we take what is important to you and work to match it with the corresponding lender bank. I have personally worked on several thousand transactions and like to think I (and we) know what the lenders like especially since we are constantly hunting for the best equipment lenders nationally, and in these difficult times, we definitely know what they don’t like. We assemble as little or as much detail about your operations and then present it to the best and lowest cost lenders available. We work on your behalf to make the facts and details look their best. We have two major ways to present applications;

1. As an “application only” basis with is just the form itself, no business or personal financials. This we are able to do with each lender, one at a time up to between \$50k to \$75k each. We can go to lender after lender with this method.
  - a. Personal guarantee or not: Using this method is very difficult to not require a personal guarantee because unless the Co. is public and has financials available on the web, the lender is “flying blind” about the personal credit and corp. credit and has to make a very decision on very limited data. If you remove the demonstrated great personal character and pay history a personal credit bureau provides on an entrepreneur, it eliminates so much of what makes many companies successful! It is possible however.
  
2. As a “full financial” basis. The second method is to use financial statements and tax returns. This method is for over \$50k to \$75k for each lender. This method has been used a lot more during the tightening money period, and if the company and principals are doing well, it is a great idea. The rates are lower, it is more work for us, but it pays off in the end.
  - a. Personal guarantee or not: Using this method is needed probably if there is to be no personal guarantee as explained above. Using a personal guarantee and financials is what the lenders really want and opens the doors to all our lenders!!

Your firm according to my research has 9 out of 10 of the things our lenders want to see including, a high Dun & Bradstreet score, solid industry, comparable credit with other leasing companies, longevity and growth with multiple locations, solid equipment choice, solid supplier choice, and a strong equipment justification / return on investment due to the high income new clients generate for firms like yours.



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Almost everything is perfect for us to supply the \$60k-\$70k in new equipment leasing, and the \$60k in items not shipped, and even the prior \$40k in shipped items, and most importantly, a non-stop capacity to provide future leases for your fast track growth (as we have done for firms in your field for the past 21 years). Those 9 out of 10 items are perfect. Item #10 is if there is a personal guarantee or not.

Needing a personal guarantee normally is determined by the following 5 tests:

1. Is the company's stock public, or venture capitalized, or widely held by many, or, I (not good), is it mostly held by 1 person?
2. Is there a history comparable borrowing of a similar amount over a similar time frame 3-5 years with no personal guarantee?
3. Is the Co. over 5 years old (easy),
4. Is the bank balance \$100 average or not? (probably fine)
- 5, most importantly, why is there no PG offered? Is it because the would-be signer is afraid the firm might fail, or pride, or the success of the firm and longevity and thus have earned the right, or why exactly. Is the stock ownership of the person asking minimal, a minority, a majority?

I hope this is clear, feel free to have me speak with you about it.

I can sum it up this way. Many successful entrepreneurs over the years have asked me if we can go without a PG and I always give the above story but it is stressful these days especially because I think of how tough it will be to get the pending financing in place and all the future financing with that severe limitation. Most of the time, the entrepreneur goes ahead and signs since it facilitates virtually unlimited capital (some of my best customers have 20-25, even 45 leases!!) On the other hand, once I know the facts and it is explained and illustrated that the 5 tests above are met and I know I can "sell" the bank on no PG, great! It is your choice as you see!

Thank you,

*Bruce D. Forinash*

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