


Be Your Banker's Best Customer

## Why should we care?!?!

- Aligned interests
- Lending is still a relationship business...Sort of....
- How do you treat your other "partners"?



## Let's start with the basics

- Borrowing only takes two things:
  - Confidence in the borrower's plan to repay the note
  - Confidence the team will execute the plan

Every interaction with your lender should build confidence in both factors!



## Repayment plans

- What is my source of repayment?
- What evidence do I have that my source is sufficient?
- Do I believe the assumptions driving that evidence?
- What external factors could impact my source?
- How much deterioration could occur before my source is no longer sufficient?



## Repayment plans

- What will I rely on if that source dries up?
- How do I ensure my secondary source will be there when I need it?
- What would liquidation look like?
- How would I restructure my notes if there was a significant departure from the original plan?



## Repayment plan tools

- Accrual basis financials
  - Historical and projected
- Debt service coverage ratio
- Assumption sensitivity
  - Price, yield, input costs, what else could change
- Good operational overview
  - Competitive advantage, mitigants



## Repayment plan tools

<b>Net income</b>
+Depreciation
+ Interest
-Distributions
+/-Other Non-cash items
+/- Extraordinary items
<b>Cash available for debt service</b>
/ Debt Service
<b>Debt Service Coverage Ratio</b>



## Execution team

- Who will ensure repayment occurs?
- Do they have the necessary skill set?
- Can they run the business?
- Do they have high integrity?
- Will they stick to the plan?
- Will they communicate?



## Execution team

- Are they a “survivor”?
- Who’s on their team?
- Who are their advisors?
- Who takes over if they are gone?
- Have I met everyone?
- Have I toured the operation?



## Ways to ruin the relationship

- Don’t communicate
- Pay late
- Hide problems
- Surprise your lender
- Submit financials late
- Make information difficult to understand
- Overdraft your account
- Don’t follow through



## Relationship checklist

- Talk to your lender at least quarterly
- Provide a written “annual report”
- Have a standard renewal package
- Make sure you know others at the bank
- Know your numbers
  - Detail! Enterprise! Accrual! Timely!
- Communicate problems early



