



SMART STRATEGIES

Methods for Improving your Credit Worthiness and Borrowing Ability

Many Arizona banks and lenders have tightened their credit policies in an over-reaction to mistakes of the past, eliminating or reducing lending relationships with all but their very best credit risks. Regardless of the strength and length of your relation-ship with your banker and other lenders, you may find that the rules have changed the next time your business goes to borrow. In this column, we offer suggestions to help improve the odds for your next credit request, whether it is for a bank loan or an equipment lease.

Strategy #1: Develop and maintain positive commercial trade references. Paying cash for supplies and services purchased for the business may make some business people feel more comfortable, but can be short-sighted financially. How many businesses survive and grow without some type of financing fueling their growth? Trade credit references are often needed to begin a relationship with a new supplier as well.

Building trade credit accounts gives benefits in other ways as well:

- By securing "net 30" terms, a business can obtain inventory and supplies or services now and have the benefit of their use for up to 30 days without paying interest or finance charges. This arrangement can provide substantial liquidity at no cost.
- By taking advantage of net 30 terms, the business will also be building its credit

references and improving its credit ratings. When suppliers are paid on a C.O.D. basis, the business gets no benefit from building credit references with its suppliers.

If you feel more comfortable limiting your outstanding credit with suppliers, establish credit accounts with them anyway. Ask them to bill you for your purchases under your credit account, according to their normal credit terms, but pay the bill the same day. This should restore your comfort by eliminating your outstanding A/P balances, but look at the credit reference you've created! (P.S. Many suppliers regularly give a discount to prompt payers on credit terms: e.g.: 2% 10 days, Net 30.)

Keep a list of your best/most active trade references. Save it on your word processor for easy updating. Your list will come in handy when you want to expand your credit base. (Hint: Also include bank loans and equipment lease accounts on your list, with opening and closing dates plus account and phone numbers.)

When you have established several reliable trade references, you are in position to make your future borrowing and leasing approvals a relatively simple matter. In turn, these borrowings and leases become some of your best credit references for future transactions.

By Nancy Z. Davis

THE BRIDE, WHITE OF HAIR, STOOPS OVER HER CANE;
 HER FOOTSTEPS, UNCERTAIN, NEED GUIDING.
 WHILE DOWN THE OPPOSITE CHURCH AISLE,
 WITH A WAN, TOOTHLESS SMILE,
 THE BRIDEGROOM, IN WHEELCHAIR, COMES RIDING.

WHO IS THIS ELDERLY COUPLE THUS WED?
 YOU'LL FIND WHEN YOU'VE CLOSELY EXPLORED IT -
 THAT THIS IS THAT RARE, MOST CONSERVATIVE PAIR
 WHO WAITED 'TIL THEY COULD AFFORD IT.

Any business arrangement that is not profitable to the other fellow will in the end prove unprofitable to you. The bargain that yields mutual satisfaction is the only one that is apt to be repeated." B.C. Forbes

Learn from the mistakes of others. You can never live long enough to make them all yourself.

LEGAL ALERT

As the costs of retaining permanent employees continue to increase, Arizona employers are utilizing temporary service providers procured from temporary employment agencies in ever-increasing numbers. In the usual case, the temporary employee (temp) establishes a permanent employment relationship with the temporary employment agency and all statutorily mandated employer duties (i.e., withholding, provision of Workman's Compensation Insurance, etc.) are performed by the temporary employment agency. The temporary employment agency then places its employees with businesses that need temporary services. During the term of the placement, the temporary service providers remain the employees of the temporary service agency, but are subject to the total control of the entity with whom they are placed during the term of the placement.

When a temp is injured while providing services to the business that has leased his or her services; the attorney for the injured temp will often advise his or her client to collect Workman's Compensation benefits from his permanent employer (i.e. the temporary service agency) and to then sue the entity that leased the their services from the temporary service agency for negligence.

Ordinarily, Arizona Workman's Compensation statutes prevent an employee from suing his employer in tort (i.e. negligence) for employment related injuries. Thus, the question arises - Can the entity which leases the injured temporary service provider's labor avail itself of the legal immunity from tort actions afforded to an employer under Arizona's Workman's Compensation statutes?

The Court of Appeals, Department B, has answered this question affirmatively in a recent decision, Lindsey v. Bucyrus-Erie, issued on April 20, 1989. The Court held that A.R.S. Section 23-1022(A) (i.e. Arizona's employer's tort immunity statute) applies to protect the entity that leases temporary employees if certain tests are met. A detailed discussion of these tests is beyond the scope of this column, but it can be stated, with a fairly high degree of certainty, that the Arizona Courts will confer tort immunity on businesses that lease temporary employees for on the job injuries sustained during temporary placement.

Those of you who utilize leased employees are encouraged to meet with your attorney to review the legal tests set forth in Lindsey v. Bucyrus-Erie as applied to your particular circumstances.

By Max Richards, Esq.

(Drum Roll, Please!)

Winner Selected in Newsletter Name Contest

IMMmmmmagine fresh, live, lobsters. IMMMmmmmagine at least 6.5 pounds of live, succulent, North Atlantic lobsters. Could be as many as 6 or 8 of 'em. Wipe your lip. You're drooling on our newsletter.

Our promise of a 10 day lease on a lobster trap generated quite a response. We received a fun variety of suggestions, and the final choice was a close decision.

Steve Parkman, Owner of PC Center collects on Neptune's bounty for his suggestion of Smart News. His lobster trap lease guarantees him the entire catch of the trap for the 10 days of his choosing. His prize includes a hand-personalized lease document, seasonal progress reports, and a Recipes from Maine cookbook.

What Kind of Company Leases?

Our client list at **Lease \$mart** includes companies from almost every industry and category of equipment user. We lease to companies ranging from sole proprietors to big companies. The variety of companies leasing equipment includes such firms as airlines and auto manufacturers, insurance companies and banks, manufacturers, engineering firms, real estate developers, convenience markets, CPA's, doctors and dentists, attorneys, restaurants, retailers, repair shops and real estate brokers..... Regardless of the type of equipment needed or the service rendered, it's a safe bet that you will benefit from leasing when you acquire more equipment.

Subject to credit approval, we lease to any type of business entity, including:

- Proprietorships
- "Mom and Pop" operations
- Municipalities.
- Partnerships and Limited Partnerships
- Corporations and Sub-S Corporations

Our customers' motivations to lease are usually a combination of the following four broad categories:

- Tax Benefits: Every company that pays taxes is interested in saving on their tax liability
- Limited Cash and/or Bank Borrowing Ability
- Cash and/or bank credit available but the company simply has something better to do with their cash and cash equivalents than tie it up in machinery.
- Avoids Budget restraints - Replaces one operating expense with another operating expense - without affecting the Capital budget.
- Leasing is a Capital management tool.