Lazarus Resources

Advisors to Management
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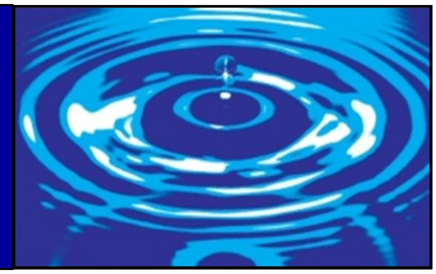

Volume 1, Issue 7

July 2010

Investment Banking

- Mergers & Acquisitions
- Restructurings
- Workouts
- Recapitalizations
- Corporate Finance
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- Value Enhancement

Management Advisory

- Corporate Leadership
- Turnaround Management
- Exit Planning
- Succession Planning
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- Interim Management

Lazarus Real Estate Advisors, Inc.

- REO asset Management
- Distressed Asset business plans
- Debt and Equity Financing
- Loan Workouts
- Restructurings
- 1031 Exchanges
- Syndications
- Business Brokerage

Building a Balanced Company (Part I)

Most business owners view financial statements as something necessary for lenders and the "tax man", but of little use in managing the company.

Typically, the balance sheet is viewed from the top down; starting with cash, then receivables and inventory. Often that is as far as we look. Let's take a fresh look at the balance sheet in order to understand its impact on the operation of a successful company.

Picture your balance sheet as a "V" with the assets and liabilities balancing on the point, which is the equity. Adequate **equity** is a measure of how well you can weather the storms of your business. It is not only important how much equity, but also what it consists of, as reflected by the components of the balance sheet.

Most of the time, company owners are obsessed with avoiding taxes. Sometimes one of the best investments a company can make is an investment in taxes– keeping profits in the company.

Taking equity off the balance sheet can make it difficult to borrow when it becomes necessary. Owners who find ways for profits to "disappear" often find it hard later to prove the company's capacity to repay its borrowings.

One of the most deceptive killers of equity is depreciation. Profit before depreciation is often referred to as "free cash flow". It should be anything but free. Depreciation should be viewed as a means to adequate after tax income to pay principal or to replace the equipment you are depreciating.

Term Debt is a misunderstood and often misused tool in building a business. Used properly, term loans add working capital. Match the terms of your loans to the use of the funds.

Before you borrow long term funds, figure out what you will be using the funds for and how long you will need to repay the loan based on your expected income from the use of the funds borrowed.

Equipment loans terms should not be longer that the life expectancy of the equipment. They should match expected return on investment.

Working capital loans should be used to finance the long-term portion of current assets. Do not over-borrow, even if you qualify.

This is part I of a multi-part article which will continue in subsequent news letters. To request a copy of the entire article, please contact us at:

info@lazarusresources.com

Revolving Credit, such as accounts receivable or inventory financing is the most common and often used form of financing. When companies get in trouble with their lenders, it usually involves such loans.

The very nature of revolving credit is a fluctuating principal balance. The loan is usually based on a percentage of receivables or inventory. Because of the liquidity, lenders prefer to offer it.

Continued next month…..

Real Estate Restructurings Increase

Increasingly, commercial real estate lenders are facing the reality of the need to restructure distressed loans. **Lazarus Real Estate Advisors** has been involved in several successful loan restructurings recently. The outcomes run the gamut from extensions and amendments, to complete restructuring of terms, to short sales, and third party note purchases.

The key to a successful restructuring is the development of a detailed proposal, along with realistic cash flow projections, both pre– and post– restructuring. This will assure the best possible outcome for both parties.

Loan workouts help to avoid bankruptcy, litigation, and potentially the loss of an asset, which, if restructured around today's realities might become profitable over time. They can be good for the lender too, if the deal gives them a chance to return the credit to performing status, and participate in the upside, in the event of a successful exit from the credit.

On the other hand foreclosures continue to happen at an alarming rate, as borrowers are facing increased pressure and the inability to find alternative financing. LREA also handles asset management cases for lenders, assisting them to minimize after-sale costs and maximize return on investment.

Before giving up your property to the lender, call **Lazarus Real Estate Advisors** to learn the options.