

EXPANSION TEAM

Advice from the North American Funding Corporation
By Julie Mynatt

NORTH AMERICAN Funding Corporation (NAFC) is a finance and leasing company that concentrates on the commercial production, post-production, advertising, broadcast, graphic design, audio and Internet industries. NAFC's president, Kevin Becker, shares some insight on things to know when upgrading your existing equipment or making investments in new infrastructure.

UPGRADING EXISTING EQUIPMENT.

"It seems like a simple question, but a lot of times companies are looking at an upgrade simply because they may be two years old in technology [and] just thinking 'I really want this,'" says Becker.

Companies should consider a number of things before entering an upgrade situation. Additional revenue or cost savings is one area that should be addressed. If an upgrade allows for more revenue streams or cost savings in an existing area it should be considered. The flip-side to this is the possibility that an upgrade may render an existing piece of equipment unable to perform a service that is profitable for your company, so that must be considered as well.

The total cost of an upgrade is a big consideration, and not just the actual upgrade itself. "Are there engineering costs involved? Is there down-time needed on a piece of equipment? It's possible a manufacturer may say 'this is a simple upgrade path,' but is it [actually] going to take your system down for three weeks?" says Becker. "Most [upgrades] in this business are modular upgrades – you can add a board and the functionality will be there."

How the original item is financed should be examined before upgrading it. According to Becker, traditional bank-financed equipment may require paying off the existing loan or lease before an upgrade can be financed. "You have to take whatever principal balance you have and add that to the upgrade and then refinance," says Becker. "Just like refinancing your house." Becker points out that with NAFC, there is more flexibility in this regard than with a traditional bank situation. "If you have a current lease with us, the cost of the upgrade is just the cost of the upgrade," he says.

Other considerations before an upgrade are related to personnel. "If people don't

understand the [upgraded] equipment, you are going to be losing money from the get-go," says Becker. "If you have to hire someone to use this upgraded equipment, have you included that cost in the upgrade?"

NEW EQUIPMENT/FACILITIES.

When considering the purchase of a new piece of equipment, or looking into creating a new facility, there are other areas to investigate. "The costs of the equipment are one thing; the financing costs are another," says Becker. "The qualifications for financing are extremely important."

Becker says it is crucial to speak with a financing agent as early as possible when considering a new equipment purchase or a new facility – especially if you are a new company. "Don't wait until the last minute, or you may end up with a financing situation you're not going to like – or even not get financing," says Becker. "If you go to [a manufacturer or reseller] and you are pre-approved, your chances for striking a better deal are far greater."

Additionally, Becker says "be conservative" in your budget for a new facility. "Whatever your budget is, you must add a minimum of 25 percent. If you come in

below that, it's always a blessing, but you don't want to be running over-budget."

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Media Process Group.

REGROUPING

Media Process Group's New Facility
By Dixon Galvez-Searle

AFTER SPENDING 15 years in one location, Bob Hercules, president of Media Process Group (Chicago) decided it was time to move. About a year-and-a-half ago, Hercules and his partner, Vice President Keith Walker, bought property at 1327 W. Washington St. and hired an architect to help them construct a new facility. "We basically gutted the entire space," says

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