

[TB online](#)
[Daily Briefs](#)
[Economic Indicators](#)

[Commentary](#)
[Editorial](#)
[Biz Buzz](#)
[Lionel Waxman](#)

[Special Columns](#)

[Weekly Columns](#)
[Articles](#)
[Business Briefs](#)
[Business Profile](#)
[Your Money](#)
[Real Estate](#)
[Inside Media](#)
[Calendar](#)

[Monthly Features](#)

[Best Practices \(1st Week\)](#)
[Business Strategies \(2nd Week\)](#)
[Tech Talk \(3rd Week\)](#)
[Business Travel \(4th Week\)](#)

[Daily Territorial](#)

[Daily Stories](#)
[Bankruptcies](#)
[Bid Notices](#)
[Civil Cases](#)
[Civil Judgements](#)
[Divorce Decrees](#)
[Divorce Petitions](#)
[Liens/Releases](#)
[Marriage Licenses](#)
[New Corporations](#)
[Probate Cases](#)
[Trustee Sales](#)
[Place a legal ad](#)

[Classifieds](#)



Banking partnership crucial for business growth

By Forrest Davis

Posted: Thursday, Dec 23, 2004 - 02:54:29 pm MST

Inside Tucson Business

Building a good banking relationship is vital to growing a small- or mid-size business, Bank of Tucson President Michael Hannley told the Arizona Optics Industry Association at its May meeting.

The AOIA has more than 200 members statewide, most of which are small- to mid-sized organizations more adept at science than at business strategy, explained AOIA board member Chuck Haman.

With the Arizona Commerce Department promoting the Optics Valley in Arizona, many of the small optics firms have grown and often find themselves without solid banking relationships.

Hannley told the audience that small firms commonly "do the research and development, make it work ... and then have no money to market it. That's probably the biggest problem" for technical companies.

Hannley pointed to Bank of Tucson client Advanced Ceramics Research as a success story.

"ACR got so big that they ran out of collateral sources [for bank loans]," he said. "We had to get outside of the box, not just look at the numbers but ask does this [asset] have a use?"

For ACR, like many optics firms, "it came down to intellectual property. That is their collateral, their greatest asset," he said.

However, Hannley explained, intellectual property doesn't appear on the balance sheet "so nobody wanted to look at that."

The Bank of Tucson assembled the expertise for intellectual capital to work with ACR. "Now, we've done it, so we can do it again," Hannley said, adding "you have to have someone with that expertise around you."

A veteran of three large-bank mergers before starting the Bank of Tucson in 1996, Hannley observed that large banks often want to do large loans, "but \$3 million is a lot of money to me. We say we pick up the crumbs from big banks, throw in some fresh water and make a new loaf of bread."

To an audience comment about banks being limited by laws, Hannley responded, "That's an excuse, a cop-out." He reminded the audience that the bank is an entrepreneurial business, too.

"If my loan officers aren't making loans, I might as well close up shop," he said.

Tucson's economy is service-oriented and as a result doesn't have as severe economic swings as other locations, Hannley said. In that setting, "optics has the greatest opportunity to have impact. We have the clientele, the intellectual side, the observatories."

AOIA President Bob Breault interjected that the group is seeing an increasing amount of work with Mexico. "Banking is very different there, and you need to

Feb 23, 2005

Article Search

voice • data • satellite

Diversified
TeleCommunications
click here

media design lab
Octopi
Logo and Identity Design
Brochure Design
Website Development
Custom Presentations
Illustration and Animation

For The Liberal Arts
And The Environment

Prescott College
Tucson Center
click here

have somebody who can talk to financial people there."

Hannley announced that his bank in recent weeks completed certification to provide import-export assistance, so it can work with guarantee programs which assure that businesses are able to get paid for their international sales. The Bank of Tucson also has opened an office in Nogales to serve the produce industry, and he expects Mexico to be a major player for the Arizona optics industry.

Eric Nielsen, manager of the U.S. Export Assistance Center in Tucson, added, "We talk a lot about Mexico, but Canada is an easier market to work with." He noted that AOIA has made an outreach to the Canadian optics market for 12 years.

Part of the evolution of a company's banking partnership is a banker's connection to venture capital, Hannley said. "We have to ask, how do we support your sales when you have a great product but no PE [price/earnings ratio]?"

While the bank can serve as a conduit to venture capital, Hannley cautioned the entrepreneurs that "it's hard to get through the VC process. Ninety percent (of Tucson venture capitalists) are loan brokers who are trying to find one perfect specimen. It's sad to see so much energy lost" by companies pursuing venture capital deals that don't pan out. He urged founders to check out capitalists' reputations and when and how much they last funded companies.

Hannley advocated companies make use of local resources such as the Karl Eller School at the University of Arizona. "A lot of hungry students want to get hands-on experience." A Web site, hightechintern.com, also links southern Arizona technology businesses with students.

Hannley spoke of the three-legged stool for businesses, as he calls it: an accountant, a lawyer and a banker. "Those same people will keep you out of trouble," he said.

Forrest Davis is a freelance writer based in Tucson.

[← Back to index](#)

[✉ Email this story](#)

[🖨 Printer friendly version](#)

[Archives](#) | [Book of Lists](#) | [Contact Us](#) | [Subscribe Today](#)