



Stay On Top Of Your Credit Agreements

Based on the current credit market tightening, **Barnes Wendling CPAs** is recommending that our clients read their existing credit agreements and evaluate all loan covenant provisions to assess whether or not a violation may exist.

Many of our clients have lines of credit, revolving credit, and/or term loan agreements. These agreements may have loan covenants in place whereby a loan covenant default would cause the contract with the bank to be violated. In the event of a violation, the language in the agreement would give the financial institution various rights. Some of these rights may allow the financial institution to terminate the agreement, charge a penalty interest rate, charge a loan covenant waiver or amendment fee, or other remedies as provided in the agreement.

If a violation exists or could possibly exist, we encourage you to remedy the situation before your fiscal year end in order to avoid any condition that would warrant requesting a waiver from the financial institution. Even though your lender may have waived the violation in the past, it is not safe to assume they may waive it under the present circumstances.

There are very specific financial statement disclosure requirements that would be necessary in the event of a contract default or violation. These required disclosures could cause some concern to the users (financial institutions, investors, vendors, insurance, or bonding companies) of your financial statements.

We are available to meet with you if you need assistance or if you have any questions. Please call your Client Service Executive.