COMMERCIAL FUNDING PARTNERS | CFO INSIGHTS

The CFO's Guide to Commercial Bridge Financing

Using short-term capital to protect enterprise value, execute transactions, and manage the path to permanent financing

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Executive summary

Bridge financing can solve a timing mismatch between a compelling commercial opportunity and the availability of permanent capital. For a CFO, the decision is not simply whether capital can be obtained quickly. It is whether the financing preserves liquidity, supports a credible exit, and creates more value than its all-in cost and execution risk.

Commercial Funding Partners (CFP) is a direct lender serving established middle-market companies. This guide presents a decision framework for assessing when a bridge facility is appropriate, how to structure it, what underwriting teams need, and which risks deserve board-level attention.

1 | The strategic role of bridge capital

A commercial bridge facility is temporary financing intended to be repaid from a defined event: permanent refinancing, an asset disposition, a committed capital contribution, or another supportable liquidity source. It should solve a temporary capital-timing problem—not conceal a structural cash-flow deficit.

Equipment acquisition

Secure scarce or mission-critical machinery ahead of a conventional equipment financing closing.

Acquisitions

Support a time-sensitive purchase while longer-term capital is documented.

Project execution

Align deposits, installation, commissioning, or milestone payments with later financing.

Asset-backed transactions

Monetize acceptable collateral pending a planned refinancing or disposition.

Bank overflow

Address a transaction that falls outside a relationship bank's limits or timing while preserving the banking relationship.

2 | The CFO's go / no-go test

- **Strategic necessity**: What is lost if the transaction waits? Quantify contractual penalties, lost production, purchase-price changes, and opportunity cost.
- **Exit certainty:** Identify the actual repayment source, documentation status, decision-makers, timing, and fallback if delayed.
- **Liquidity resilience:** Stress-test debt service, fees, collateral requirements, and covenant headroom under downside conditions.
- **Value creation:** Compare the incremental enterprise value or avoided cost with the facility's full economic cost.
- **Execution readiness:** Confirm financial reporting, collateral documentation, legal structure, and transaction approvals are ready.

3 | Structure and economics: look beyond the quoted rate

The effective cost of bridge capital may include interest, origination fees, legal and appraisal costs, unused or extension fees, prepayment terms, collateral monitoring, and expenses associated with the permanent takeout. Compare alternatives on an all-in cash basis and on the value of timing gained.

Term to negotiate	CFO diligence question
Maturity / extension	What happens if the takeout slips 90-180 days?
Collateral / advance rate	What valuation basis and additional security are required?
Repayment / prepayment	Can we refinance early without penalties?
Covenants / reporting	Do these terms impair existing bank facilities?
Funding conditions	Underwriting approvals, lien releases, and required documents.

4 | Underwriting package: what accelerates a credible review

- Three years of audited or reviewed financial statements, where available, plus current interim results.
- Debt schedule, existing liens, borrowing-base details, and relevant credit agreements.
- Transaction overview, use-of-proceeds schedule, invoices or purchase agreements.
- Collateral details, appraisals or valuations where relevant, and ownership / lien information.
- A documented exit plan: proposed takeout lender, status, conditions, timing, and alternative repayment sources.
- Base, downside, and delayed-exit cash-flow forecasts with covenant and liquidity sensitivity.

5 | Principal risks and practical mitigants

Risk	Practical mitigant
Takeout risk	Obtain written evidence of refinance progress; underwrite a delayed or failed exit.
Liquidity squeeze	Reserve cash for interest, fees, contingencies, and working-capital needs.
Collateral mismatch	Validate realizable value, lien priority, and disposition timeline—not just purchase price.
Covenant conflicts	Review cross-defaults, negative pledges, intercreditor requirements, and consent rights.
Timeline risk	Maintain a critical-path closing checklist with owners and dependencies.

6 | Bridge financing versus other capital choices

A CFO should compare a bridge facility with extending the seller payment schedule, staged equipment purchases, a conventional equipment finance agreement, an amended revolver, a sale-leaseback, or sponsor equity. The cheapest nominal rate may not be the lowest-risk or highest-value solution; flexibility, certainty, control, and timing matter.

7 | A 30-minute CFO decision checklist

- ☐ Is the use of proceeds tied to a specific, economically attractive transaction?
- ☐ Is there a documented primary exit and a realistic backup?
- ☐ Have we modeled a 90-day and 180-day delay?
- ☐ Do all-in costs preserve an acceptable risk-adjusted return?
- ☐ Are collateral and intercreditor implications understood?
- ☐ Can the company provide a complete financial package immediately?
- ☐ Have treasury, legal, tax, and the relationship bank reviewed the structure?

Working with Commercial Funding Partners

CFP directly evaluates and funds qualifying commercial bridge financing transactions for established middle-market companies. Its preferred borrower profile generally includes more than $20 million in annual revenue, three or more years of successful operations, and demonstrated profitability, although individual transactions may warrant tailored evaluation. CFP's broader equipment financing platform serves transactions beginning at $250,000 and can support very substantial projects; bridge facility sizes and terms are separately determined by underwriting.

For bankers, CFP's Bank Overflow Desk™ offers a specialist financing resource designed to respect the referring institution's broader customer relationship.

NEXT STEP

Request a confidential bridge financing review at CommercialFundingPartners.com.

Include the capital amount, use of funds, required closing date, and expected repayment event.

Request a Bridge Financing Review →

Important considerations

This white paper is for educational purposes only and is not legal, tax, accounting, investment, or credit advice. All examples are hypothetical. Financing availability, pricing, maturity, collateral, and timing are subject to individual underwriting, approval, documentation, and funding conditions. Consult qualified legal, tax, and accounting advisers regarding your transaction.