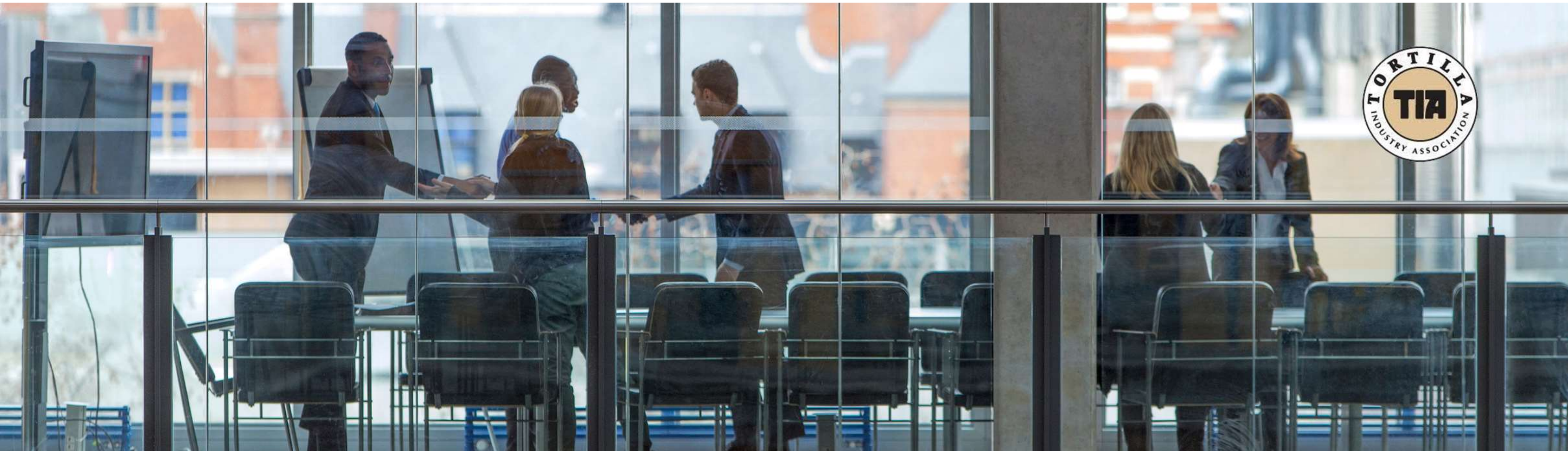

Equipment Leasing & Financing

Analysis, Strategies & Options

David & Rick Goldstein

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Rick Goldstein

Began career in Equipment Leasing in 1965

Roles: Regional Manager, President, Chief Operating Officer

Led a national equipment leasing company with multiple offices

Experience in financing a wide range of equipment: from 747's to franchise equipment to postage machines

Unique expertise across all Equipment Leasing industry venues *(traditional capital leases, debt and equity true leases, venture capital, government and municipal, international leasing)*

David Goldstein

Sr. Account Executive at Alliance Funding Group

Over 37 years of experience as a Sales Manager and Equipment Leasing Specialist

Expertise: Traditional leasing, Equipment loans, SBA loans, Receivables financing, Operating capital infusion, Government & Municipal financing

Leadership in Relationship Management, Sales Strategy, Coaching & Mentoring. Particular expertise in managing & marketing tradeshows.

What is Lease Financing

Lease financing is a method of acquiring the use of assets, typically tangible ones like equipment, machinery, or vehicles, without requiring the outright purchase of those assets. Instead, the lessee (the party seeking to use the asset) pays periodic payments to the lessor (the owner of the asset) for the right to use it for a specific period.

Importance of Leasing in Modern Business

- Leasing offers flexibility by providing access to assets without the need for substantial upfront capital investment, enabling businesses to conserve cash for other more important operational needs or investments.
- Furthermore, leasing may offer tax advantages, as lease payments are typically deductible as business expenses.

Brief Overview

PART 1

Types of Lease Financing, Examples

PART 2

Advantages & Disadvantages

PART 3

Basic Financial Analysis

Capital/Financial Lease

- Typically two (2) to seven (7) year term lease contracts where the lessee is obligated to pay a monthly debt service until the expiration of the lease period.
- The period of lease agreement generally corresponds to the useful life of the asset.
- Provided there is no default the lessee can renew the lease or take title to the equipment for a fixed purchase option .
- This is a triple net arrangement. This means the lessee is responsible for:
  - Maintenance & Repairs
  - Insurance
  - Taxes

Operating/Open-End Lease

An operating lease, also known as an open-end lease, is a type of lease agreement where the lessee (the party leasing the asset) makes payments to the lessor (the owner of the asset) for the use of the asset for a specified period, typically shorter-term. Unlike a finance lease, where the lessee typically assumes ownership of the asset at the end of the lease term, in an operating lease, the lessor retains ownership throughout the lease period. Operating leases are commonly used for assets like equipment, machinery, or vehicles, where the lessor expects the asset to retain value beyond the lease term. At the end of the lease period, the lessee typically has the option to return the asset to the lessor, renew the lease, or purchase the asset at its fair market value. Operating leases offer flexibility to lessees, allowing them to access assets without the long-term commitment and financial obligations associated with ownership. Additionally, operating leases may offer tax benefits, as lease payments are typically treated as operating expenses rather than capital expenditures.

Sale and Leaseback

- **Sale of Asset**: In a sale and leaseback transaction, a company sells an asset it owns, such as property or equipment, to another party (the buyer). This sale allows the company to receive immediate cash flow from the sale of the asset.

- **Leaseback Agreement**: After selling the asset, the company enters into a leaseback agreement with the buyer, allowing it to continue using the asset by paying periodic lease payments. Essentially, the company becomes the lessee, while the buyer becomes the lessor. This arrangement enables the company to retain the use of the asset without the burden of ownership, while the buyer gains ownership of the asset and earns income through lease payments. Sale and leaseback transactions are often used by companies to free up capital tied up in assets, improve liquidity, and enhance financial flexibility.

Leveraged Leasing

Leveraged leasing is a financial arrangement in which a party, typically a lessee or investor, borrows a significant portion of the funds needed to acquire an asset and leases it from a lessor. In this arrangement, the lessor typically provides only a portion of the financing for the asset, while the lessee or investor secures the remaining funds through debt financing, often with the asset itself serving as collateral. Leveraged leasing is commonly used for acquiring expensive assets, such as aircraft, ships, or large equipment, where the high cost necessitates leveraging debt to finance the acquisition. This arrangement allows the lessee or investor to benefit from tax deductions associated with interest payments on the debt, as well as depreciation expenses on the leased asset, while also potentially providing access to the asset with a relatively lower initial cash outlay.

White Label Leasing

- **Partnership Agreement**: The lessor and the vendor enter into a partnership agreement outlining the terms and conditions of the arrangement. This agreement specifies the types of assets available for leasing, pricing structures, and the duration of the partnership.

- **White Labeling**: The lessor offers leasing services, including financing, administration, and customer support, under the vendor's brand name. This means that the vendor's customers interact with the vendor's brand throughout the leasing process, from initial inquiry to contract signing and ongoing support.

- **Benefits for Vendor**: For the vendor, the white label partnership offers several benefits. It allows the vendor to offer leasing options to its customers without the need to establish leasing capabilities in-house. Additionally, it enhances the vendor's brand value by providing a comprehensive solution to its customers' needs, thus increasing customer satisfaction and loyalty.

- **Benefits for Lessor**: For the lessor, the white label partnership provides access to new markets and customer segments through the vendor's existing customer base and brand recognition. It also allows the lessor to leverage its expertise in leasing services while benefiting from the vendor's marketing efforts and customer relationships. Overall, a white label partnership between a lessor and a vendor is a strategic collaboration that allows both parties to leverage their respective strengths to create value for their customers and achieve mutual business objectives.

Advantages of Leasing

Preservation of Capital

Flexibility and Convenience

Tax Benefits

Planning Cash Flows

Improvement in Liquidity

Off-Balance Sheet Financing

Extended Warranty and Support

Key Points Recap

Importance in Business

Preserves capital, facilitates adaptation to new technologies, offers tax advantages, and improves budget management.

Advantages of Leasing

Capital preservation, tax benefits, and risk management.

Regulatory Considerations

Section 179 and potentially off-balance sheet financing.

Thank you!

Q&A

David & Rick Goldstein