

# FINANCING 101

## BENEFITS OF FINANCING

Don't leave your customer to figure out how to afford the solution you are about to propose. Help them find the best financing solution by offering a monthly payment. Here are the benefits they'll receive.

### **No Need to Compromise**

You don't have to postpone or delay putting the latest and best equipment/software to work for you. Enjoy productivity improvement with the right tool for the job.

### **100% Financing**

Leasing offers you the productivity of the equipment/technology you require while meeting cash flow needs. Additionally, "soft" costs such as installation, freight, or equipment set up and service contracts can be included in the monthly payment.

### **Provides a Hedge Against Inflation**

Lease payments are fixed and allow you to pay for today's equipment/software with tomorrow's dollars as you earn them.

### **Preserves Cash and Credit Lines**

Leasing is a proven way to conserve capital while acquiring needed equipment/software. Leasing does not tie up existing credit lines. It allows you to keep capital available for critical areas such as personnel, inventory, or advertising.

### **Low Monthly Payments**

We can customize a lease plan that will fit your budget needs. Payments can be lower than conventional financing.

### **No Down Payment**

This preserves and protects your cash flow, making your money available to work for you rather than sinking it into a depreciating asset.

### **Flexible Lease Terms**

Choose from a variety of lease terms to suit your individual needs. We will quote all options so you can make an informed decision.

### **Option to Buy**

If you decide you want to own the equipment/software at the end of the lease, simply pay the amount specified in the terms of the lease.

### **Easier Budget Forecasting**

Fixed monthly payments allow you to accurately forecast budgets.

Here are some of the options your clients have to acquire your solution, and the pros and cons of each.

LEASE	BANK LOAN	CASH PURCHASE
<p>A non-cancelable contract extending over a fixed period of time.</p> <p><b>ADVANTAGES</b></p> <ul style="list-style-type: none"> <li>• \$1.00 and 10% leases provide benefits of ownership</li> <li>• CFL leases may provide tax advantages</li> <li>• 100% financing</li> <li>• Preserves bank lines and conserves capital</li> <li>• Fixed terms &amp; payments</li> <li>• Flexible terms</li> <li>• Easy add-on/trade-up</li> <li>• Full use without ownership</li> <li>• Creates new credit source</li> <li>• Lets you pay for the equipment as you use it</li> </ul> <p><b>DISADVANTAGES</b></p> <ul style="list-style-type: none"> <li>• Non-cancelable agreement</li> </ul>	<p>A non-cancelable contract repaid in regular installments.</p> <p><b>ADVANTAGES</b></p> <ul style="list-style-type: none"> <li>• Benefits of ownership</li> <li>• May provide tax advantages</li> </ul> <p><b>DISADVANTAGES</b></p> <ul style="list-style-type: none"> <li>• Relatively short term</li> <li>• Extensive paperwork</li> <li>• Covenant restrictions</li> <li>• Ties up credit lines</li> <li>• No obsolescence protection</li> <li>• May require compensating balances, down payment, and origination fee</li> <li>• Likely to be on a variable interest rate</li> <li>• Non-cancelable agreement</li> </ul>	<p>Use of working capital for acquisitions.</p> <p><b>ADVANTAGES</b></p> <ul style="list-style-type: none"> <li>• Benefits of ownership</li> <li>• May provide tax advantages</li> <li>• No financing charge</li> </ul> <p><b>DISADVANTAGES</b></p> <ul style="list-style-type: none"> <li>• Depletes cash reserves</li> <li>• No obsolescence protection</li> <li>• Creates price shoppers</li> </ul>

## DIFFERENT TYPES OF FINANCING STRUCTURES

Customers typically choose between \$1 Buyout, Fair Market Value, or rental agreement. Many customers choose a rental program to keep their technology current, and for operating expense benefits.

	\$1 BUYOUT	FAIR MARKET VALUE	RENTAL PROGRAM
Your Benefits	Accounted on your balance sheet and depreciated	Lowest monthly payment	Generally considered an operating expense
End-of-Term	You own after final payment	You have the flexibility to purchase, upgrade, rent, or return	You may return, continue renting, or upgrade

### What are the differences between a capital and an operating purchase?

Typically, a \$1 buyout lease is a capital purchase. It is recorded on your books as an asset, and you can benefit from the Section 179 tax break. However, if you are looking for something that you can treat as an operating expense, renting the equipment through a finance rental agreement could be the best option.

Check with your accountant to see which benefits suit you best.

### Can we add equipment to our agreement?

Yes, adding equipment to your agreement during the term is simple. Most times, add-ons are coterminous, making the new payment end at the same time as the original lease.

### Isn't the lowest rate the best option?

Not always. Many banks and financial institutions have hidden fees in their finance agreements. Fees can include automatic renewal payments (some up to a year), fees to process taxes, interim rent, and high Fair Market Value residuals. Before making a decision, read through the proposed finance agreement and be sure you will not be surprised by hidden fees.