

EQUIPMENT FINANCING & LEASING VS. CASH
A SYSTEMATIC ANALYSIS OF VARIOUS CONSIDERATIONS

(Courtesy of Bruce Forinash, Investment Leasing Co.)

| <u>C</u> | <u>L</u> | Check "C" for advantage with paying cash and check "L" for advantage with a lease |
|--------------------------|--------------------------|---|
| | | <u>HIGHER CASH RESERVES.....</u> |
| <input type="checkbox"/> | <input type="checkbox"/> |ARE GOOD FOR SECURITY AND TO HANDLE SURPRISES IN THE FUTURE |
| <input type="checkbox"/> | <input type="checkbox"/> |ENABLES MORE WORKING CAPITAL AVAILABLE FOR ALL NEEDS |
| <input type="checkbox"/> | <input type="checkbox"/> |HELPS CURRENT RATIO AND OTHER FINANCIAL RATIOS |
| <input type="checkbox"/> | <input type="checkbox"/> |ENABLE EARNING MORE INTEREST INCOME ON CASH DEPOSITS |
| <input type="checkbox"/> | <input type="checkbox"/> |LOWERS INTEREST COSTS FOR BANK LINE OF CREDIT REDUCED USAGE |
| <input type="checkbox"/> | <input type="checkbox"/> |ENABLES FAST-PAY DISCOUNTS ON SUPPLIER'S INVOICES |
| <input type="checkbox"/> | <input type="checkbox"/> |LOOKS BETTER TO YOUR BANK REGARDING RATIOS FOR REVOLVING LINE OF CREDIT "LOC" |
| <input type="checkbox"/> | <input type="checkbox"/> |HELPS ENABLE ANNUAL PAY-DOWN OF BANK REVOLVING LOC |
| <input type="checkbox"/> | <input type="checkbox"/> |ENABLES FAST ACTION TO BUY DISCOUNTED INVENTORIES AND ONE-TIME-ONLY BUYS |
| <input type="checkbox"/> | <input type="checkbox"/> |ENABLES FASTER PURCHASE DECISIONS FOR OTHER FUTURE CASH ACQUISITIONS |
| <input type="checkbox"/> | <input type="checkbox"/> |CASH AVAILABLE COULD INCLUDE RESTRICTED USAGE BANK REVOLVING L.O.C. FUNDS |
| <input type="checkbox"/> | <input type="checkbox"/> |RESULTS FROM NOT USING EXPENSIVE AFTER-TAX DOLLARS TO PAY CASH FOR EQUIPMENT |
| <input type="checkbox"/> | <input type="checkbox"/> |RESULTS FROM MAKING LEASE PAYMENTS WITH LESS EXPENSIVE PRE-TAX DOLLARS |
| | | <u>NEEDING EQUIPMENT NOW BUT NOT LEASING COULD RESULT IN.....</u> |
| <input type="checkbox"/> | <input type="checkbox"/> |WANTING TO PAY CASH AND MAYBE POSTPONING NEEDED EQUIPMENT |
| <input type="checkbox"/> | <input type="checkbox"/> |WAITING TO PAY CASH AND MAYBE POSTPONING LABOR SAVING EQUIPMENT |
| <input type="checkbox"/> | <input type="checkbox"/> |WAITING TO PAY CASH AND MAYBE POSTPONING A NEW INCOME OPPORTUNITY |
| <input type="checkbox"/> | <input type="checkbox"/> |WAITING TO PAY CASH AND MAYBE POSTPHONING WORKER JOB SATISFACTION |
| | | <u>ACCOUNTING & TAX ASPECTS:</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | RECORD LOW COST LEASING MAKES IT MORE ATTRACTIVE THAN IN THE PAST 35 YEARS |
| <input type="checkbox"/> | <input type="checkbox"/> | SOME OPERATING LEASES HAVE 1% INTEREST COST, SOME LESS THAN THAT |
| <input type="checkbox"/> | <input type="checkbox"/> | CORP. INCOME TAX SAVINGS FROM WRITING OFF LEASE INTEREST EXPENSES |
| <input type="checkbox"/> | <input type="checkbox"/> | USING LEASING CO. FOR EQUIPMENT, BANK FOR REVOLVING LINE, CASH FOR WORKING CAP. |
| <input type="checkbox"/> | <input type="checkbox"/> | IRS SECTION 179 DEPRECIATION AND 5-YEAR STREIGHT-LINE AVAILABLE WITH A LEASE |
| <input type="checkbox"/> | <input type="checkbox"/> | LEASES HAVE OPTIONS SUCH AS \$1 BUYOUT, 10% FIXED, AND "FAIR MARKET VALUE" |
| <input type="checkbox"/> | <input type="checkbox"/> | HAVING THE HIGHEST RETURN ON INVESTMENT (ROI) ON CORPORATE CASH |
| <input type="checkbox"/> | <input type="checkbox"/> | USING LEVERAGE TO ACQUIRE THE MOST INCOME-EARNING ASSETS WITH THE LEAST CASH |
| <input type="checkbox"/> | <input type="checkbox"/> | FINANCIAL RATIO IMPROVEMENT: RETURN ON EQUITY CONSIDERATION |
| <input type="checkbox"/> | <input type="checkbox"/> | EXPENSE MONTHLY PAYMENTS RATHER THAN CAPITALIZE EQUIPMENT (OPERATING LEASE) |
| <input type="checkbox"/> | <input type="checkbox"/> | PAY FOR EQUIPMENT WITH CHEAPER FUTURE DOLLARS |
| <input type="checkbox"/> | <input type="checkbox"/> | SAVINGS DUE TO WRITING OFF INTEREST ON LEASE COULD CUT LEASE INTEREST BY 33% |
| <input type="checkbox"/> | <input type="checkbox"/> | BUDGET CONSIDERATIONS IMPROVED; BETTER LINK EXPENSE WITH NEW EARNINGS |
| <input type="checkbox"/> | <input type="checkbox"/> | USING "OPM" "OTHER PEOPLE'S MONEY" TO ACQUIRE EQUIPMENT |
| <input type="checkbox"/> | <input type="checkbox"/> | SPECIAL PAYMENT OPTIONS-SEASONAL SEMI-ANNUAL, ANNUAL, CUSTOM |
| <input type="checkbox"/> | <input type="checkbox"/> | A \$1 BUYOUT FINANCE LEASE HAS ALL OF THE BENEFITS PAYING CASH; TITLE PASSES & MORE |
| | | <u>CORPORATE CONSIDERATIONS.....</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | BOARD MEETING TO CHANGE CAPITAL BUDGET TO INCLUDE NEW EQUIPMENT VS. LEASE |
| <input type="checkbox"/> | <input type="checkbox"/> | BUILDING UP CREDIT RATING FOR FUTURE BORROWING NEEDS |
| <input type="checkbox"/> | <input type="checkbox"/> | OTHER CONSIDERATIONS: |