

[Improving Liquidity Through Equipment Sale and Leaseback]

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As organizations approach their fiscal year-end, accounting and finance professionals begin to analyze their company's year-end financial position. In a turbulent economic environment, a company's cash position is often an important financial consideration. By demonstrating a strong cash position, organizations can maintain debt ratings, avoid bank covenant violations, and improve liquidity ratios.

In the final month of a company's fiscal year, executing a sale-and-leaseback transaction on equipment acquisitions is often considered.

WHAT IS A SALE-AND-LEASEBACK?

In an equipment sale-and-leaseback, the lessor reimburses the lessee for equipment that was purchased during the past 6-12 months. Items typically included in a sale-and-leaseback are computer equipment, telephone systems, networking infrastructure, printers, software, and office furniture. Once the sale-and-leaseback is finalized, the lessee will receive 100% reimbursement of the acquisition cost of the equipment included in the lease. When this occurs, ownership of the equipment is transferred to the lessor and lease payments begin.

WHAT IS NEEDED TO FINALIZE A SALE-AND-LEASEBACK?

The financial disclosure requirements for a sale-and-leaseback are generally the same as a traditional lease transaction. The lessor will require three years of audited financial statements, interim financial statements, and bank reference information. The lessor will also require copies of the vendor invoices for the equipment and cleared check copies as proof of payment. Equipment inspections may also be required.

ENSURING SECURITY INTEREST

The lessor will verify that the equipment is not encumbered by the lessee's existing credit provider(s). If a lien has been filed on the equipment being transferred, a lien release may be needed. Most leasing companies will work with the lessee's credit providers on obtaining the releases without any additional administrative burden on the lessee.

About First American Equipment Finance

First American Equipment Finance is wholly owned subsidiary of Los Angeles, CA-based City National Bank, the 24th largest commercial bank in the United States. First American is ranked among the 100 largest leasing companies in the United States, and provides commercial equipment leasing and financing for clients in all 50 states. First American was recognized eight times on the *Inc. Magazine's* 500/5000 listing of the fastest growing companies in the United States, and twice as the Best Place to Work in New York State (10-249 employees). First American serves the largest, most creditworthy and sophisticated commercial borrowers throughout the United States. 