

# BUSINESS FINANCIAL SERVICES

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## WHERE DO I GET THE MONEY?

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You're just opening the doors or you've been around many years....you need equipment, more delivery trucks, computers; up-graded machinery....but where do you get the money?

If you're new in business your banker may not be able to work with you. If you've been around awhile, your credit may have a few bumps and bruises.

So where do you turn?

MBO Enterprises.

We've been around awhile ourselves—since 1990. We have helped numerous new businesses get their very first machines and even more businesses expand their operations.

We are associated with several direct lenders and leasing companies throughout the United States. This allows us to work with a wide variety of customers and equipment.



So when your banker says "No, not this time." call MBO Enterprises—good chance we can get a 'Yes'.

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### Not Sure If You'll Qualify?

- Established business - OK
- New in business - OK
- Excellent credit - OK
- Not-so-good credit - OK

## NEW, USED OR REFURBISHED?

With either a lease or loan arranged by the associates at MBO Enterprises it doesn't matter.

What DOES matter is that it works for YOU and YOUR business needs.



## MORE THAN YOU WOULD EVER WANT TO KNOW ABOUT LEASING

Well, here you are, exploring leasing. We know, you'd probably rather be doing anything but thinking about leasing. Don't give up, there really is some good information here that can help you make a smart decision and we'll try to make it as painless as possible.

### **In a fog about leasing?**

There is a general misconception that technology is out of reach; unaffordable and advancing faster than anyone can imagine. Let's explore some of these and other foggy notions.

#### **#1. The most common misconception about leasing:**

Leasing is too expensive.

It really depends on how you look at it. If you're cash rich and only look at the total payments of the lease, then this statement is true. But if you look at the overall benefit of leasing versus purchase then this statement is not as convincing. It all comes down to how smart you manage your money.

The first thing you need to know is that money is not made by the ownership of equipment; it is made by the use of it. With equipment, you'll probably have it around for three to ten years and then replace it with updated similar equipment. If you own it then your investment has been depreciating all this time and you will have had to put down the required 20%-30% down payment. A lease allows you to use money that is not tied up in this depreciating asset for investments that appreciate or increase. The smart thing to do, then, is invest the money that would normally be used for a down payment, as in the purchase of equipment, in an appreciating asset.

Another important point regarding overall cost is that a lease locked into today's lower rates protects against fluctuating prices often associated with traditional bank financing.

You can also preserve your line of credit at the bank because your payments are handled through another funding source and it doesn't take a rocket scientist to know that lines of credit are increasingly difficult to extend.

#### **Misconception #2: Leasing takes more time.**

Actually, you will probably spend much less time obtaining a lease. Banks in many cases ask for a complete updated financial package when applying for equipment purchase loans while many leases can be obtained with a one-page application.

Banks do not particularly like equipment loans because they have to loan on your business cash flow not the value of the equipment. Leasing companies, however, are only in the business of financing equipment.

The other time factor or perhaps we should say "relief" factor is you will not have any headaches disposing of used equipment. It can be part of your lease that it goes back to the lease company. Also, another headache you can do without is equipment breakdowns; you can include maintenance in the lease so your equipment is always performing at its peak.

#### **Misconception #3: Equipment will be outdated before the lease is up.**

Equipment that is sensitive to technology changes should have a lease structured to allow for advancements in technology.

#### **Misconception #4: There is no flexibility in lease agreements.**

A lease should be as beneficial as possible. You should always consider the tax benefits, balance sheet affects and cash flow needs. Leases can start as low as \$3,000 and go as high as \$25,000,000 and lease terms are flexible depending on the type of equipment, most are from three to five years. Also, you may want to consider other than equal monthly payments when structuring your lease, such as: seasonal payments, step-up or step down payments, deferred payments, quarterly payments or annual payments.

**There are several types of leases that fit just about any goals and objectives:**

### **Capital Lease**

More than anything, a capital lease allows for accounting to show this type of lease as a long-term debt. This becomes a liability on your balance sheet and should be thought through if it will give your banker heartburn. This type of lease refers to the ownership of the equipment and that can happen in several different ways with a "Capital Lease."

1. The lessor/equipment owner transfers ownership to the lessee/equipment user during or at the end of the lease term.
2. The lease contains the option to purchase the asset at a bargain price.
3. The lease term is equal to 75% or more of the estimated economic life of the property.
4. The present value of minimum lease rental payments equals 90% or more of the fair market value using lessee's incremental cost of borrowing.

### **Finance Lease**

A finance lease is one that most often represents a road to ownership and if your intent is to own this is a good way to do it. Your payments can be spread over a longer period of time so the monthly amount is usually less. In the end, the lease close-out is usually a small minimal payment or a small percentage of the original equipment cost.

1. Typically, a finance lease is a full-payout, non-cancelable agreement.
2. Lessee is responsible for maintenance, taxes and insurance.

### **Operating Lease**

This is the type of lease to use with equipment that can provide for advancements in technology. The lessor will usually take more of the risk of ownership in this type of lease which allows a lower monthly payment in the terms of the lease agreement.

Additionally, there are some tax benefits to this type of lease which means that the lease is not documented as an asset or a liability. An operating lease is another lease that can qualify for purchase at the end of the lease.

1. Any lease that is not a capital lease is defined as an operating lease.
2. These are generally used for short-term leases of equipment.
3. Lessees can acquire use of equipment for a fraction of the asset's useful life.
4. An operating lease cannot violate any of the four criteria stated in a capital lease.
5. A True Lease is not capitalized on the user's financial statements.

### **True Lease**

Here's another type of lease classification that is appropriate for equipment vulnerable to technological changes because the lessor retains ownership of the equipment. To allow for unforeseen technological changes, this type of lease has flexible terms at the time of termination: purchase, continue to lease or return to lessor.

1. A True Lease provides an agreement which is recognized by the Internal Revenue Service as a rental agreement.
2. This is an advantage to the customer because monthly lease payments are fully tax deductible.

See, we weren't kidding, that is just about everything there is to know about leasing. But if you still have questions please ask

## RE: Current Financing Options

Below is a listing of the wide range of financing options that are currently available for NEW, USED and REFURBISHED equipment, plus vehicles (all are, of course, subject to verification of the customer's credit and final approval by lender):

- Nationwide service available with just one phone call!
- Minimum \$5,000.00, NO maximum
- 2 to 7 years terms
- \$1.00, 10% and Fair Market Value (FMV) purchase options available
- 100%+ financing (including tax, shipping, etc.)
- Equipment Finance Agreements (EFA) available
- Simple Interest Loan structures
- Rental Agreements
- A-1 credits, established businesses (excellent rates)
- Less than A-1 credits (average rates)
- Less than 2 years in business (higher rates)
- "Challenged Credits" programs
- Municipality programs including Federal
- No Cash Down Payments required
- As little as 1 payment up front can be arranged
- Contact payments of \$100.00 for up to 6 months
- Step-Up payment plans (low payments for up to 12 months)
- Step-Down payment plans (higher payment for the first 12 months)
- Application Only up to \$150,000.00 (no financials required)
- We can tailor the up front money and repayment plan to your customers current cash flow needs
- Each deal is considered on its own merit and rates are applied accordingly
- Progress payments can be arranged for custom machinery
- Pre-delivery funding can be arranged for custom and/or used machinery

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**APPLICATION SUBMISSION GUIDELINES**

- ◆ The basics [*and for established businesses who's owners have credit scores greater than 650 and the business has a Dun & Bradstreet Paydex of at least 65 (can qualify for as much as \$150,000.00) on an application-only basis*]
  
- ◇ Completed (*full disclosure of ownership is required*) and signed application
- ◇ Front page of the last three (3) months business checking account statements (if a start-up, personal checking account statements)
- ◇ Reason for acquisition
  
- ◆ New businesses requiring more than \$10,000.00 ...all of the above *plus*
  
- ◇ Complete copies of the last two (2) years personal federal income tax returns
- ◇ Current personal financial statement
- ◇ Business plan and/or owner's résumé's *helpful*
  
- ◆ Established businesses who's owners have credit scores under 650, and/or other derogatory items on their bureaus (*including but not limited to prior bankruptcies, liens, judgments, slow pays*) as well as company's with Dun & Bradstreet Paydex scores under 65...the above *plus*
  
- ◇ Complete copies of the last two (2) years business federal income tax returns
- ◇ Complete copies of the last two (2) years financial statements (balance sheet and profit/loss)
- ◇ Current interim financial statements (balance sheet and profit/loss)
  
- ◆ Established businesses requiring in excess of \$150,000.00 ...all of the above

Industry specific programs currently available for municipalities, medical, dental, chiropractic, veterinarian as well as trucking and owner-operator trucking—ASK for details.