

First American Equipment Finance

Financing Your Office Move

The Red Ribbon

Cutting the red ribbon. Is there anything more exciting than when you open a new office? Your employees have happy faces; your clients are impressed; and there is a new feeling of excitement and energy. After all, with the new technology, collaboration space and natural light, things are simply going to be better. But when you are in the middle of juggling blueprints, contractors, designers and suppliers, it may seem like cutting the red ribbon is a distant hope. And then there is the financing.

Oh Yeah... The Financing

Whether your future includes a mortgage or a landlord, it is crucially important to develop a plan to finance the expenses associated with your office relocation. With each investment, you should carefully consider:

- + Will we want to still own this asset in 5 years?
- + How committed are we to this technology?
- + Would spreading out the cash flows of this acquisition make sense?

Many companies fund the furniture, fixtures, hardware, software and services internally or with some help from their bank line. But there is another alternative available.

Project Lease Line of Credit

Your new office project is decided and the list of new assets begins to take shape. Some acquisitions, like desktops, notebooks and tablets, will likely need to be refreshed in about 3 years. Other things, like modular office furniture, carpeting and the security system will be there for the long haul (as long as no coffee is spilled). Finally, there are some things “in the middle” – AV equipment, networking equipment and printers could go either way. After all, what happens if High-Def becomes, well, more High-Def?

A lease line of credit could be just the financial program to help you navigate the decisions ahead. Here is how it works with First American:

- 1 Determine the overall cost of the project that will be included in the financing.
- 2 Determine an approximate list of assets to be acquired (for example: “about \$300,000 for new computers” is fine).
- 3 Share any financial considerations that may be important. Things like cash flow, seasonality, commitment to technology renewal or future growth initiatives should be discussed.

Here is what a recent Project Lease Line looked like:



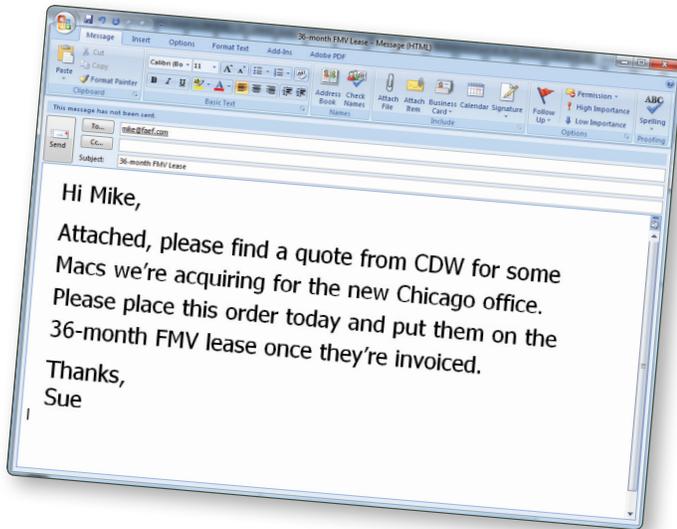
Based on the financial considerations of the company, the Project Lease Line was set up with both \$1 Buyout (\$1BO) lease options and Fair Market Value (FMV) lease options.

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Fixed-rate pricing was established for both 36-month and 60-month terms. Should the project have delays, the Project Lease Line was available to the company for 2 years. The company chose to place about half of the equipment on a 36-month Fair Market Value (FMV) lease, since they knew the Apple, Dell and Samsung equipment would need to be refreshed in about 3 years to keep the office operating on the leading edge of technology. The software licensing and maintenance went on a 36-month \$1 Buyout lease to match the length of the maintenance contract. All furniture and fixtures went on a 5-year \$1 Buyout lease, since those assets had long useful lives.

Get By With a Little Help from Your Friends

First American assigns a high-level Project Manager to coordinate the Project Lease Line. At the time of equipment ordering, simply email the equipment quote and let your Project Manager know what lease line option you choose:



Your Project Manager will oversee all operations of the Project Lease Line, including completion of the credit file, lease documentation, equipment ordering, tracking equipment deliveries, auditing vendor invoices, confirming acceptance, releasing payment, lease invoicing and application of lease payments. This single point of contact serves as an extension of your staff, freeing up some of your time and resources for more pressing matters.

That New Carpet Smell

Before you know it, you will be at the ribbon cutting and enjoying that new carpet smell. But for now, it is time to develop an office financing strategy that balances your financial and technological goals. For many, a Project Lease Line is just the financial tool to get you to the finish line.



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