



# Alternative Capital

Presentation by LakeView  
Leasing for the MBDA  
Webinar Series

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# Our Message

Today we aim to:

- Educate MBDA Clients and affiliates about how businesses can use different types of alternative financing to finance growth
- About Us – LakeView Leasing assists businesses, small and large, to obtain equipment & capital for their growth in their respective industries.

# LakeView Leasing

- In business since 2008 based in Minnesota
- Member of the National Association of Equipment Leasing Brokers
- MMSDC Certified MBE
- HUBzone Certified

# Executive Team

- ◉ **John Herrera - President**

- ◉ Involved in the leasing industry for over 20 years
- ◉ J.D./MBA
- ◉ Founder of a Tier 1 leasing company that serviced GM and Fortune 500 Companies

- ◉ **Gavin Herrera – Sales Manager**

- ◉ Business Development
- ◉ 5 Years in the leasing & finance Industry

- ◉ **Dave Kost -**

- ◉ 26+ Years at IBM Global Finance
  - ◉ International Financial Rep & International Project Manager
    - ◉ Added New Software product to market while overseas
- ◉ Independent Financial Client Executive

# Types of Alternative Financing

- Equipment Leasing and Finance
- Asset-Based Lending
- Working Capital
- Private Label Programs

# Equipment Leasing & Finance

What is a lease?

- A lease is a transaction in which use and possession but not title to tangible personal property is transferred for a consideration.

Examples of Common Leases

- FMV or Operating Lease
- Capital or Finance Lease
- Sale-Lease Back

# Common Leases

FMV - Operating Lease – A lease, which for tax purposes, entitles the lessor to qualify for the tax benefits of ownership and the lessee to claim the entire amount of the lease rental as a tax deduction. At the end of term, lessee has the option of, renewal, buyout or return.

# Common Leases

Finance Lease - This lease is otherwise known as a "Capital Lease", is simply a lease where at the EOT, the Lessee will own the equipment for \$1 but during the rental payments the Lessor maintains ownership.



# Common Leases

**Sale-Lease Back** – a transaction under which the lessee sells the property to be leased to the lessor then leases back the same property and continues to enjoy its use. This type of transaction is typically a lease in form, but a loan in substance. This is a way to obtain capital for your business using the assets you already own, essentially a refinance.

# What do you need to do?

How a typical process works?

- Get a quote from your vendor
  - New or Used equipment is OK
  - Private Sale is OK
- Get an application from
  - May require supplemental information
- Return

# Programs Out there for Most Businesses in Tough Spots: Lower Credit? Start-Up? Problem Financial History?

- Credit Score as low as 580 OK
- Prior Bankruptcy OK
- Less than a year of operation OK
- Start-Up OK
- Liens OK

These are not necessarily concerns you should have when applying with certain programs.

# Full Financial Application

After having a conversation regarding your need firms generally request the following for a **full financial package** submission:

- A Signed Application
  - App-Only Applications may apply (next slide)
- Personal Financial Statement – Ea. Guarantor
- 2 Years Business Tax Returns
- 2 Years Personal Tax Returns
- Current Invoice with Equipment Description
- 6 Months Business Bank Statements

# Fast Programs Are Out there:

These types of programs are meant for companies that need a fast approval without having to spend time gathering financials

Best for companies with:

- 5+ Years TIB
- Personal Credit Score 680+
- Equipment Cost
  - Up to \$150,000
- Positive D&B Report, Paynet Report

# Benefits of Leasing

- Conserve Capital – No Down payments
- Saves Bank Lines of Credit
- Tax Savings - True Lease
- Reduces the risk of equipment obsolescence (FMV Lease)

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# Benefits of Leasing Cont.

- No compensating balance requirements
- Single UCC Filing; not a blanket
- No ongoing financial reporting
- Fast Financing
- 100% Financing

# Asset-Based Lending

- Collateral Based Line of Credit
- Accounts Receivable Financing
- Purchase Order Financing



# Asset-Based Lending

ABL loans provide businesses with immediate funds and ongoing cash-flow in the form of revolving lines of credit based on a percentage of the value of a company's assets.

Assets include

- A/R
- Inventory
- Machinery & Equipment

# Asset-Based Lending

## Criteria Generally Required

- Annual sales \$4 to \$25 million
- Two years tax returns
- Quality account debtors
- Balance sheet tangible equity
- Low dilution of A/R
- Personal Guarantee
- 1<sup>st</sup> secured position on all assets

# Accounts Receivable Financing

## What is it?

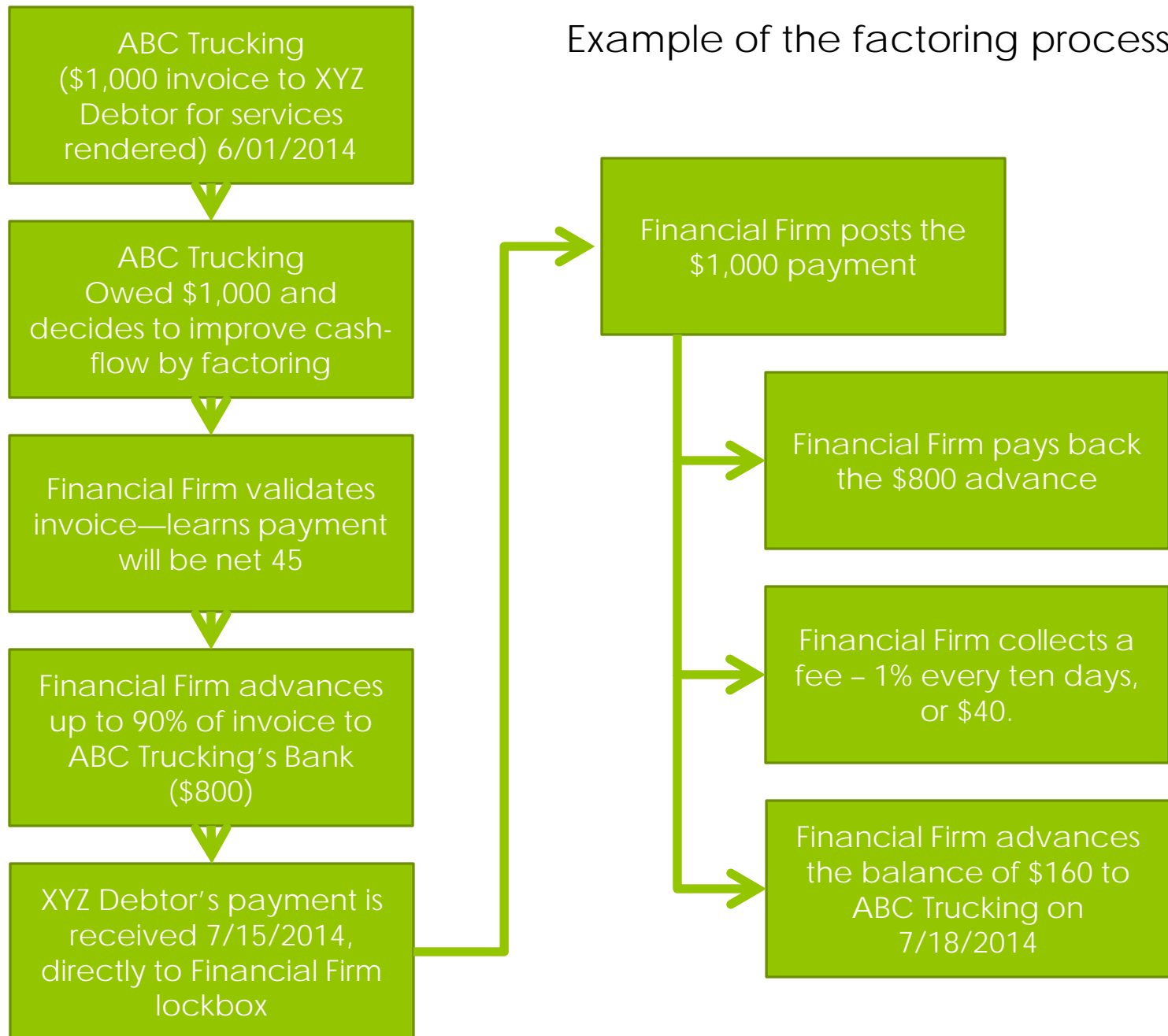
Business financing which involves the sale of a company's A/R, at a discount.

## Benefits

- Improve Company Credit Rating
- Prescreened credit limits on new customer
- Improve cash-flow
- Early pay discounts
- Credit of the debtor not yours

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## Example of the factoring process



# Purchase Order Financing

What is it?

Is a short-term commercial finance option that provides capital to pay suppliers in advance, so you don't have to deplete critical cash reserves.

Benefits

- Under-capitalized and in need of cash
- Down payment to vendors
- Need for flexible/custom financing
- Unable to get traditional financing
  - Due to high growth, limited sales history

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# Purchase Order Financing

## Criteria Generally Required

- Annual Sales - \$250k to \$15MM
- Conversion from P.O. to A/R is critical
- High quality debtors
- Cash lockbox receipts
- Gross profit margins in excess of 20%
- Personal Guarantee
- PO converts to A/R in under 40-days
- First secured position

# Working Capital Loans

There are quick-access working capital loans and cash advances. Use of these loans are typically for:

- Expansion
- Purchase inventory
- Upgrade equipment
- Manage seasonality
- Remodeling
- Payroll
- Emergencies/tax liabilities

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# Examples of Working Capital Loans that are out there

CRITERIA	MINIMUM
TIB	6 Months
FICO	>500
Annual Revenues	\$100,000
Average Bank Balance	\$1,500
NSF Activity	Up to 5 in a month
Open Liens	No Restrictitons

*\*Must be in relationship with business revenues.*

PRODUCT DETAILS	
Term	Up to 8 Months
Amount	2-5% of Annual Revenues
<b>Anticipated Funding</b>	<b>1-2 Days</b>

CRITERIA	MINIMUM
TIB	1 Year
FICO	TIB
Annual Revenues	\$250,000
Average Bank Balance	\$2,500
NSF Activity	<20 in the last 3 months
Open Liens	<\$175,000

PRODUCT DETAILS	
<b>Term</b>	<b>Up to 18 Months</b>
Amount	5-10% of Annual Revenues
Anticipated Funding	3-5 Days

Approvals within 24 Hours | Funding within 3-5 Days



# Programs that Increase Business Visibility and Credibility

There are programs that can help businesses to look more professional to clients, including arrangements that allow businesses to bill under their own name despite using alternative sources of finance.

Advantages of private label include:

- Look larger and appear to have your own financing arm,
- Eliminates competition by bundling equipment with Financing,
- Increases sales, makes it easier for customers to say, YES!
- Can lead to more repeat business.

# Contact Info

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