

# COMMERCIAL LEASING

## OUTSIDE THE NINE DOTS

### SAULSBURY HILL FINANCIAL

Established in 1976, Saulsbury Hill Financial is one of the oldest commercial leasing companies in the U.S.

From office equipment, heavy equipment, energy management retrofits to complete co-generation plants, we have done them all, with the expertise to structure and secure financing that benefits all our clients and customers.

Let us share some general definitions for the primary Commercial lease structures that can be employed — points for discussion as to which option will reap the most benefits for your Company.

### CONTACT US

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“Commercial Equipment Leases  
traditional *rentals* in every  
sense of the word.

Similar to renting a car, equipment *leases* were originally written as rentals: an equipment rental for a specified term with a specific payment structure.

Leasing has become increasingly more meaningful than simply equipment rentals. Thanks to the Internal Revenue Service (IRS) and the Generally Accepted Accounting Principals (GAAP) leases now come with diverse solutions to suit every customer's needs.

### OPERATING LEASES

By the GAAP definition are as close to a rental as you can get without actually being a short-term rental. An operating lease has no appearance of equity build-up during the lease term. Should the lessee choose to take title to the equipment, title may be secured by payment of the fair market value at the end of the original lease term. The lessee typically incurs no new balance sheet debt.

### FAIR MARKET VALUE

Generally defined by a third party appraisal as to the equipment's present market value.

### CAPITAL LEASES

Includes a minimal down payment with a payment structure for a set lease term.

Upon satisfactory completion of the payment terms a lessee can generally purchase title to the equipment from the lessor for a nominal sum (often a \$1.00 purchase option) with ownership transferring to lessee. With a capital lease, the depreciation expense is transferred to the lessee as the title is expected to pass with the end of term purchase option. Capital leases are generally the chosen methodology for equipment acquisition when the equipment value, or *life*, is beyond the capital lease term.

### TRUE LEASE

A mix between the operating lease and the capital lease. The true lease allows a defined purchase option at the end of the lease term that the lessee can, but does not need to exercise. This serves to lower the lessee's periodic payment. The true lease purchase option is always higher than the \$1.00 capital lease purchase option. It can be defined in either dollars or a percentage of the original equipment cost. At lease inception lessor and lessee can agree on this "*end of term*" value or residual. A true lease can either be on or off balance sheet, which is left to the discretion of the lessee and their auditor.