*You are the CFO.....Your company needs to acquire & finance $50M of manufacturing equipment, commercial aircraft, machine tools, computer equipment, trucks or even software? Good Luck getting this accomplished in the current “challenging” capital market. This course will provide the future CFO/Decision-Maker a competitive basis to analyze all issues, decision making techniques, industry background, accounting and economic factors as well as lessor-lessee negotiating techniques regarding equipment leasing and finance. Basic accounting, present value, capital budgeting and economic understanding required.

Course will emphasize a Professional Seminar type understanding of equipment issues to be considered in finance decisions. Lease-Finance structuring, pricing, residual values, debt rate, accounting issues, equipment values, equipment maintenance, market economics & risk management will be part of presentation. Emphasis will be placed on understanding negotiable items in relation to market conditions, lender/lessor appetites, credit standards and corporate objectives. Be prepared to participate.

Students are expected to begin thinking like a CFO in relation to equipment finance decisions including accounting treatment, balance sheet objectives, operational objectives, equipment utilization and lender/lessor relationships.

Text Chapters, case studies & trade periodical reading will be assigned weekly to accompany presentation/discussion.

Monday & Wednesday, 11:00 A.M. – 12:20 P.M.  2001 BIF

Mon, 03/14/11 FIRST CLASS / Introduction:

Dan Sholem, Adjunct Lecturer  
217-352-8700 Office  217-722-2444 Cell  
e.mail: drsholem@mindspring.com  
Website: www.drsholem.com

B.A., Southern Methodist University, 1985  
M.B.A., Saint Louis University, 1990  
20 Years Equipment Leasing Industry Experience

Course Objectives
Get Students Thinking Like a CFO  
Think Pro-Actively regarding all Factors in Leasing & Equipment Finance  
Evaluate All Lease Terms, Lease Pricing & Structure Objectives  
Understand Equipment Value Factors & Equipment Finance Capital Markets  
Use Knowledge to put yourself in a position of Negotiating Strength

Who leases their car? – Get the discussion started from a personal view.  
Why did you lease it?  
What is the length of the lease? Why?  
Lower Payments than buying? Why? What benefit?  
What happens if your life changes (married, kids, income) and you want out of the lease early?  
Do you plan on buying the car at the end of the lease?
Do you maintain, insure and pay taxes on the car?
Did you pay mileage penalties or damage penalties upon return?

Reading Assignment: Chapters 1, 2, 15 & Articles from www.drsholem.com & Lease Pricing Hand-Out

Wed, 03/16/11 Basics of “Operating Lease Pricing”
What makes it an Operating Lease?
FASB 13 (IASB) Guidelines (Lessor must take Economic Ownership Risk):
  Lease does not transfer ownership at end;
  Lease is for less than 75% of the economic useful life of the asset;
  No bargain purchase option;
  Present Value of Rent < 90% of Asset’s FMV.
Equipment Cost (Possible Discount and Pricing Effects)
Term (Period, Advanced or Arrears)
Residual Value (Equipment Type, Model, Market Demand)
Debt Rate (Lessee Credit & Length of Term)
Payment (Stepped or structured to meet cash-flow requirements)
Net Present Value Calculation (Using your HP Calculator)
Lessor Pricing Objectives/Methods

Assuming “Equipment Risk”
http://www.golf.com/golf/tours_news/article/0,28136,2007234,00.html

Basics of Other Lease Structures
Finance Leases
Leveraged Leases
Cross-Border Leases
Venture Leases:
Synthetic Leases

Operating Lease Pricing Model (Spreadsheets)

Reading Assignment: Chapters 3, 4, 5, 7 plus

HAVE A SAFE & FUN SPRING BREAK!

Mon, 03/28/11 CFO / Treasurer Decision Making
Off-Balance Sheet Financing – Low Debt Ratios, ROA, EBITDA
Reduced Cash-Flow - Budget
Flexibility (Equipment & Cash-Flow)
Reduced Ownership Risk (Is that so?)
Lease versus Buy (Additional Factors)
Internal Process (User, Purchaser, Controller, Finance Analyst, CFO)

Lessee – Lessor Negotiation
Understand Lessor Objectives
Know Your Equipment Values
Lessee Credit Evaluation – Is the “Driver” Credit or Sales?
Provide your Lessor Account Manager information to sell the deal internally

Reading Assignment: Chapters 8, 10, Documents (examples from text & items provided)
**Wed, 03/30/11  Lease Documentation**

- Master Lease Agreements (MLA)
- (Return Conditions, Return Location, “All of None”, “Any or All,” Notice Period)
- Equipment Schedules
- Letter of Acceptance
- Insurance Certificate
- UCC Filings (Tagging)
- Other

**Types of Equipment – Know your Market**

- Useful Life – Depreciation (Accounting Principles)
- Dynamics of Equipment Value – Economics
- Appraisals (Fair Market Value)
- Residual Analysis

**Examples & Discussion Points Using Various Equipment Types**

- Transportation Equipment
- Construction Equipment – “Yellow Metal”
- Manufacturing Equipment
- Computers
- Office Furniture
- Software?

  *ie: Commercial Aircraft & Semiconductor Manufacturing Equipment*

**Reading Assignment:**  Chapters 12, 13, 14

**Mon, 04/04/11  Changes in the Equipment Lender/Lessor Industry in 2009/2010**

**Wed, 04/06/11  Mid-Term**

**Reading Assignment:**  Chapter 11 & Additional Assigned Reading

**Mon, 04/11/11  The Equipment Leasing Industry**

- Commercial Finance Companies
- Bank Lessors
- Vendor Lessors
- Independent Lessors
- Economic Analysis of Each & Negotiating with Each
- Cost-Benefit of Doing Business with Each.

**Securitizing Equipment Finance / Lease Agreements**

**Reading Assignment:**  To Be Determined
**Wed, 04/13/11**  **Equipment Leasing/Finance Career Roles & Opportunities:**

- Leasing Sales
- Accounting
- Equipment Remarketing
- Portfolio Management
- Residual Analysis
- Capital Markets
- Interaction within a Lending/Leasing Institution.

**Lender/Borrower & Lessor/Lessee Relationships**

**Mon, 04/18/11**  **Student Concept Presentations – (Topic content will be part of Final)**

*Students must get approval for topics prior to presentation.*

Student(s) to provide written (two page) outline/discussion and verbal presentation of an equipment finance/leasing topic pre-approved by instructor. Student(s) to be graded on demonstrated in-depth understanding of topic (not on PowerPoint ability).

Class will continue discussion of each topic following presentation and be responsible for general understanding of each topic.

**Wed, 04/20/11**  **Student Concept Presentations – (Topic content will be included on Final)**

**Mon, 04/25/11**  **Advanced Equipment Finance/Leasing Decision-Making/Lease Syndication**

Cases & Issues to be provided. (Renewals, Extensions, Buyouts, Swaps, etc.)

**Wed, 04/27/11**  **Visit to FlightStar [www.flightstar.com](http://www.flightstar.com)**

Ralph Kuchenbrod, Senior Vice President of Maintenance

Class will meet @ FlightStar (UofI Willard Airport)

11:30 A.M. PLEASE BE ON TIME!

Items from presentation will be on Final.

**Mon, 05/02/11**  **Advanced Equipment Finance/Lease Decision-Making**

- Total Cost of Ownership
- Course Review

**Wed, 05/04/11**  **FINAL**


(Additional articles, websites, case assignment and other sources will be provided.)

**Grading:**

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<th>Component</th>
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<tr>
<td>Mid-Term</td>
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<tr>
<td>Class Participation &amp; Attendance</td>
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<tr>
<td>Concept Presentation</td>
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<td>Final</td>
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