



13th Annual

ASA EQUIPMENT VALUATION CONFERENCE

Lease Portfolio Management & End of Lease What an Appraiser should know

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Agenda

- Equipment Management Functions
- Equipment Manager Responsibilities
- Key Regulations & Guidelines
- Lease Types & Key Tests
- Portfolio Management
- Key Understandings
- Summary-Q & A



Equipment Management Functions

- Center of business activities
- “Our Equipment Management Group, their knowledge and expertise, is what separates us from common lenders”
- Equipment managers must know more than any other business function...beyond just equipment values and resale channels. They also serve key roles in sales, documentation, pricing, accounting, legal, collections/workout, regulatory and audit.



Equipment Manager Responsibilities

- Valuation
- Asset Management
- Pricing/Accounting
- Documentation
- Collections/Workout
- Legal/Audit/Regulatory



Key Regulations and Guidelines

- ASC842
- ASC 360
- CECL
- IRS
- FAS
- Lease Types
 - Operating-Direct Finance-Sales Type



Lease Types & Key Tests

- Operating Lease
- Direct Finance Lease
- Sales Type Lease
- Key Tests
 - 20/20 Rule
 - Level Rents Test
 - Compulsion
 - Profit
 - Limited Use



Portfolio Management

- Once a lease is booked, EMG is responsible for management
 - Early Buyout Negotiations
 - Substitution/Casualties
 - Inspections & Valuations-Intelligence Gathering
 - Workout support & remediation strategy
 - Repossession/Redelivery
 - M & R return negotiation
 - EOL renewal, sale & return negotiations
 - Sale or Re-Lease



Key Understandings

- Lease provisions & requirements
 - Notice Requirements
 - Appraisal Process & Procedure
 - Definitions of Value
 - Condition, use, maintenance and return requirements
 - Each Parties responsibilities (de-install, shipping, condition, storage certification/SMA, excess use, upgrades)
 - Market condition & Values



Agenda

- Current Market & Values (consistent with Lease requirements)
 - Sale vs. Resale (secondary market condition)
 - Replacement Cost & Timing
 - Ease of De-installation/return costs
 - Maintenance Requirements and Costs
 - Remaining Useful Life
 - Comparable Sale/Lease data
 - Remarketing timeframe
 - Factors affecting supply & demand
 - Costs to hold
 - Technology/regulatory changes



Summary

- Equipment Managers have key responsibilities
- Relationships are key
- “Who you know is as important as what you know”
- Need to leverage external resources is high
- Can’t always pay-investment in future & relationship
- Relationships last decades and move with Equipment Manager
- Q & A