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The road to owning your new restaurant through equipment leasing.

Equipment leasing is the most popular source of funding

by Five Point Capital



Picture this: You're putting on the final touches of your dream restaurant. But as you check off items on your to-do list, you discover to your horror that you need to replace a major kitchen appliance only days before the grand opening.

Your initial capital is depleted, your credit cards are almost maxed and you'd like to keep some cash in reserve for emergencies. What can you do? Why not try equipment leasing?

Equipment leasing is the most popular source of funding in the restaurant industry. Financing equipment in the restaurant business is as common as making the morning prep list. Whether it's a stove, freezer, grinder or countertop, a restaurant needs a wide range of often expensive tools to stay competitive, unique and up to code.

And that's exactly the route Michael Santosuosso took. Santosuosso, a restaurant owner who has been in the business for the past 30 years, leased a full line of kitchen equipment for a new restaurant he was about to open.

After doing some research on a few leasing companies, he received a mailing from Five Point Capital (FPC), a San Diego-based equipment leasing firm. "I liked the fact that FPC was very detailed, but very simple in how they worked with me," Santosuosso said. "My FPC sales representative was very knowledgeable and totally committed to getting my lease approved. He also made sure he supplied me with all the information I needed to complete the transaction successfully."

Emerging as one of the nation's leaders in equipment financing, FPC was founded under the principle that "leasing can help any company grow." FPC recognized that giving small and medium size businesses the ability to acquire the capital to purchase equipment was a critical component to a business' growth and success. FPC matches a business' budget to the equipment it needs to finance. Equipment leasing provides tax benefits and frees up capital to invest in revenue-generating activities.

How leasing works

A lease is an agreement between a business owner and lease company to finance equipment that the business needs. Essentially, the leasing company (the lessor) allows the restaurant owner (the lessee) to lease the equipment and pay for it monthly over a fixed time period; typically two to five years. The lessee determines the type of lease that best suits their needs, which usually depends on whether they want to own the equipment at the end of the lease term or if they want the flexibility of being able to "return" the equipment to obtain a more up-to-date replacement.

Restaurant owners and business owners of all kinds can be a lessee. Leasing companies, such as FPC, secure the funds to pay for the equipment from a funding source, such as a bank. The leasing company ensures that all necessary paperwork is completed; coordinates with the equipment vendor to ensure payment and delivery meet the schedule of the restaurant owner and follows up on issues that may arise during the process.

The lease contract can be for a single piece of equipment, or it may be written as a master lease that covers all equipment leased by the lessee. The business owner has a non-cancelable obligation to pay the lease fees and maintenance costs relating to the equipment during the lease term. The lessee also bears the risk of equipment loss or damage; insurance is hence required of the lessee.

Business owners find the equipment needed, at the vendor of their choice, and directly negotiate the purchase price, close the deal and assign the purchase order to the lessor. The lessor then completes the lease and provides the funds to purchase the equipment for the business owner.

Equipment leasing companies generally help the restaurateur access financing fast by using non-recourse (non-collateralized) debt. Because of their relationships with financial institutions, most leasing firms, like FPC, use a process that quickly establishes the credit

ability of the restaurant owner with no financials required in leases under \$100,000. This allows for some of the fastest turnaround in the industry—hours to days. No down payment is required and 100 percent of the equipment cost is financed. Sales tax, delivery, installation and training costs can also be included in the lease. Additionally, a lease doesn't tie up the business owner's personal credit to qualify and, in most cases, offers substantial tax benefits. Equipment leasing has benefited thousands of businesses and helped many restaurant owners like Santosuosso set up shop with no headaches.

So the next time you're in a bind and need to buy or replace ice machines, pizza ovens, broilers, bakery equipment or any other major kitchen accessories, consider a quick and easy solution...equipment leasing.