Thank you for joining us for the Foundation of Equipment Finance Series!

The National Equipment Finance Association (NEFA) is a national trade association comprised of professionals serving the equipment leasing and finance industry. Our member companies are diverse and include independent and bank-owned lessors and funding sources, commercial finance brokers, specialty lenders, and various specialized service/product providers serving the needs of these equipment finance specialists.

NEFA's members are highly skilled in their fields and believe that working together to advance the equipment leasing and finance industry is incredibly important and best achieved by working collectively.

NEFA

National Equipment Finance Association

The National Equipment Finance Association, since formed, has always provided educational resources for the membership. Following the 2023 Strategic Planning process, NEFA increased the focus on Educational Offerings for the membership by hiring an industry veteran as the Manager of Education. This person will manage and curate these offerings. Additionally, NEFA has invested in securing other industry experts to provide education both virtually and at regional events.

The online portion of NEFA's education is at no cost to members through informative online workshops and webinars. We also provide educational sessions at various regional events and conferences.
We invite you to explore all the NEFA educational offerings:

- Spring and Fall Conference (Education through Round Tables, Presentations, Moderated Panels, Peer Networking, etc.)
- Regional Events
- Knowledge Exchange
- Virtual lessons

NEFA
National Equipment Finance Association

NEFA LEVEL 1:

Four Course Overview

Sudhir Amembal
Chairman & CEO
Amembal & Halladay

Bob Rinaldi
President
Rinaldi Advisory Services

Course 1
Industry Overview & Products Offered

Course 2
Equipment Finance Benefits

Equipment Leasing & Finance ("ELF")

Course 3
It's About The Equipment

Course 4
How Equipment Finance Companies Make Money

How Equipment Finance Companies Make Money

Bob Rinaldi
PRESIDENT, RINALDI ADVISORY SERVICES

Sudhir Amembal
CHAIRMAN & CEO, AMEMBAL & HALLADAY

Workbook Instructions

1. The workbook mirrors the lecture, but is designed to allow note-taking
2. Many pages in the workbook have empty shaded grey spaces (see example below)
3. The empty spaces are intended for two reasons:
   a) To write what you will view in these spaces in the video. This breaks the monotony of just listening!
   b) To input the answers to questions you will be asked. This keeps you challenged!

Example:

→

Example:

Regulatory

Bob Rinaldi

PRESIDENT, RINALDI ADVISORY SERVICES

- Bob Rinaldi is a trailblazing entrepreneur and the driving force behind Rinaldi Advisory Services, a renowned consultancy specializing in equipment leasing and financing. With a penchant for unconventional strategies and a track record of success spanning multiple ventures, Rinaldi and his distinguished team of seasoned chief executives in the industry, bring a wealth of experience to the table.
- In 2018, Rinaldi founded Rinaldi Advisory Services ("RAS"), swiftly establishing it as the premier advisory firm in the equipment leasing and finance domain. RAS is widely recognized for its expertise in crafting exit strategies for independent leasing companies and devising entry strategies for banks seeking to enter this lucrative market.
- Before RAS, Rinaldi held pivotal leadership roles, including serving as Chief Executive Officer of Commercial Industrial Finance ("CI Finance"), a nationally acclaimed equipment finance company. Under his stewardship, CI Finance was successfully acquired by CBank, a prominent Cincinnati-based community bank focusing on commercial and industrial lending to small and medium trans-sized businesses.
- Rinaldi's illustrious career also includes tenure as Senior Vice President of CSI Leasing, where he spearheaded organic and inorganic growth initiatives. He further distinguished himself as Executive Vice President of National City Commercial Capital Company (NC4), now PNC, and as President of NC4 Canada. Notably, as a founding partner of Information Leasing Corp. (ILC), later acquired by Provident Bank, Rinaldi played an instrumental role in propelling the company to become the fifth-largest bank-owned leasing enterprise in the United States.
- Recognized for his outstanding contributions to the industry, Rinaldi has served as Chairman and Director of the Equipment Leasing and Finance Association (ELFA), a prestigious role within the premier trade association representing the $1 trillion equipment finance sector. His dedication and advocacy have been honored with prestigious awards, including the Steven R. LeBarron Award for Principled Research and the David H. Fenig Distinguished Service in Advocacy Award.
- Currently, Rinaldi continues to shape the industry landscape as a director of the National Equipment Finance Association. He remains actively involved in industry research and development initiatives, serving on the Equipment Leasing & Finance Foundation's Research Subcommittee and Development Committee.
- Rinaldi's expertise extends beyond the boardroom, as evidenced by his extensive contributions to thought leadership through speaking engagements and publications, both domestically and internationally. A proud alumnus of Michigan State University, Rinaldi holds BS degrees in Animal Science and Agricultural Biochemistry.
- For further inquiries or collaboration opportunities, Rinaldi can be contacted at Bob@RinaldiAdvisory.com. Connect with him on LinkedIn or explore his dedicated website, www.RinaldiAdvisory.com, dedicated to honoring the pioneers of the modern equipment leasing industry.

Sudhir Amembal

CHAIRMAN & CEO, AMEMBAL & HALLADAY

AMEMBAL & HALLADAY

- Sudhir Amembal is the Chief Executive Officer of Amembal & Halladay, the world's foremost authority in the field of equipment finance training, consultancy and publications. He co-founded the firm in 1978. The firm has trained over 80,000 professionals throughout the world.
- As a government advisor, Mr. Amembal spearheaded lease consultancy engagements conducted on behalf of over 20 governments . These engagements required him to review the overall leasing industry in each country and devise strategic recommendations to facilitate the growth of the industry.
- As an author he has authored or co-authored 18 publications including: Leasing-The Creative Financing Alternative, Winning With Leasing, Operating Leases: The Complete Guide, International Leasing: The Complete Guide, The Handbook of Equipment Leasing, Lease Securitization, A Guide to Accounting for Leases, and A Guide to Captive Finance Company Equipment Leasing.
- As an educator, he has conducted training sessions in over 80 countries. His latest offerings include five e-learning courses. His flagship seminar " Winning With Leasing" is offered virtually as an interactive one-day seminar.
- As a keynote speaker, he has presented at numerous domestic and international conferences. He has addressed conventions held by all four of the global regional associations – African Leasing Association, Asia Lease, Lease Europe, and the Latin American Leasing Association. He chaired each of the annual World Leasing Conventions from 1993 until its discontinuance in 2013.
- In 2016, Mr. Amembal was inducted into the Equipment Finance Hall of Fame by the Equipment Leasing and Finance Association. The honor is bestowed on those who have made unique, significant, and lasting contributions to the equipment finance industry. He was a nominee for "The Legend" award at the Monitor Converge 2023 and a nominee for the "MVP Behind the Scene" award at the Monitor Converge 2023 and 2024. He was the first person to be awarded an honorary CLFP credential.
- He has served as an independent Board member for Corplease in Egypt, as well as for Operadora de Servicios Mega in Mexico. He served as Chief Advisor to two prominent leasing companies in China – CMIG Leasing Group and Juxin International Leasing Company.
- He served as Chairman of Amembal Capital Corporation, a middle market leasing company for a period of five years. Prior to founding Amembal & Halladay,, he was a member of the faculty at the College of Business, University of Utah, prior to which he worked for Ernst & Young in New York.
- He has a Bachelor of Commerce from the University of Bombay, and an M.B.A. from the University of Utah. He successfully passed the CPA examination in New York.
- He resides with his wife, Kiran, in Salt Lake City, Utah and San Miguel de Allende, Mexico.
- Mr. Amembal can be contacted at sudhir@amembalandhalladay.com or at (503) 867-5065

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PART 1

Types of Leasing Companies

Types of Leasing Companies

Pure Broker

Lessor / Broker – holds some & syndicates some

Pure Lessor – holds most all transactions they originate

Pure Broker

Does not hold any transactions on its own balance sheet

Sells or refers all transactions for a fee

Does not carry any debt on the balance sheet relative to loans used to fund transactions

Is not responsible (or recourse) for the default of any transaction except to the extent of

- **Reimbursement of broker/referral fees in the event of an early default**
- **Default under any representations made under the lenders' broker agreement.**

Lessor / Broker

Holds some transactions on its own balance sheet

Sells or refers some transactions for a fee

Does carry some debt on the balance sheet relative to loans used to fund transactions or uses its own working capital

Is recourse for the default of any transaction on its balance sheet AND reimbursement of broker/referral fees in the event of an early default, and default under any representations made under the lenders ' broker agreement.

Pure Lessor

Holds all transactions on its own balance sheet

Takes residual value risk on transactions which it invests in the future value of the equipment

Carries all debt and future residual values on the balance sheet relative to loans used to fund transactions or uses its own working capital

Is recourse for all defaults of any transaction on its balance sheet

PART 2

Credit Models & Processes

Pure Broker

Credit Model: Matches the lenders’ credit model

Processes: All sales and origination processes
Some funding processes

Lessor / Broker

Credit Model: Matches the lenders' credit model when brokering
Abides by its own credit policy for balance sheet deals

Processes: All sales and origination processes
All credit and adjudication processes
All documentation processes
All funding processes
All operations processes (billing & collecting)
All bank debt compliance
More sophisticated accounting processes
Overall compliance functions

Pure Lessor

Credit Model:
Abides by its own credit policy
Abides by its own asset and residual value policies

Processes:
All sales and origination processes
All credit and adjudication processes
All documentation processes
All funding processes
All operations processes (billing & collecting)
All asset management analysis and processes
All bank debt compliance
More sophisticated accounting processes
Overall compliance functions

PART 3

Business Models

What Is A Business Model?

Risk ?	Return ?

Examples Of Just A Few Business Models

Model	Loss Expectations	Yield or Interest Rate
High Yield (C and below)	High	
Moderate (B to C+)	Moderate	
Conservative (A+ to B+)	Lowest	

What Do All The Models Have In Common?

Model	Loss Expectations	Yield or Interest Rate	In Common?
High Yield (C and below)	High		
Moderate (B to C+)	Moderate		
Conservative (A+ to B+)	Lowest		

The credit policy is the business model in action with the objective of achieving the expected results of the specific business model.

PART 4

Financial Statement Differences in Income Generation Methods

Types of Income & Expense

Gross Income minus Expenses =

Types of Income		Types of Expense	
Interest Income		**Interest Expense**	
Fee Income		**Operating Expense**	
		Charge-offs	

Income Statement & Balance Sheet

Major Income Statement Components

1. Interest income versus fee income
2. Fee income (documentation fees, late fees)
3. Charge-offs or actual losses on defaults
4. Interest expense
5. Operating expenses (salaries, overhead, interest expense, etc.)
6. Net income

Major Balance Sheet Components

1. Assets - future lease and loan payments
2. Debt – borrowed money to lend
3. Provision for losses

Assumptions For The Following Financial Statements

Year	Annual Originations Volume (thousands)
Year 1	$60,000
Year 2	$69,000
Year 3	$79,350
Year 4	$91,253
Year 5	$104,940
Cost of Funds	7.00%
Yield	11.00%
Charge-offs	0.25% (% of receivable balance)

Leasing Company Type	% of Originations Brokered or Syndicated	% of Originations Retained
Pure Broker		
Lessor/ Broker		
Pure Lessor		

Leasing Company Type	Brokered or Syndicated Fee
Pure Broker	4.0%
Lessor/ Broker	4.0%
Pure Lessor	n/a

The following examples will not include any residual-based lease transactions and their income and balance sheet components.

Pure Broker – Sample Statements

(in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
Balance Sheet Components					
Lease Receivable	-	-	-	-	-
Loss Allowance / Provision	-	-	-	-	-
Total Assets	**-**	**-**	**-**	**-**	**-**

Income Statement Components

~~1. Interest income versus broker/syndication income~~

2. Fee income (documentation fees, late fees, insurance fees)

~~3. Charge-offs or actual losses on defaults~~

4. Operating expenses (salaries, overhead, interest expense, etc.)

5. Net income

Balance Sheet Components

~~1. Assets - future lease and loan payments~~

~~2. Provision for losses~~

(in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
Income Statement Components					
Lease Income	-	-	-	-	-
Interest Expense	-	-	-	-	-
Net Interest Margin	**-**	**-**	**-**	**-**	**-**
Doc Fee Income & Other	50	58	66	76	87
Broker/Syndication Income	2,400	2,760	3,174	3,650	4,198
Non-Interest Income	**2,450**	**2,818**	**3,240**	**3,726**	**4,285**
Commissions	580	661	688	778	810
Salaries & Office Wages	711	870	1,106	1,379	1,543
Employee Benefits	194	230	269	324	353
Total Personnel Costs	**1,485**	**1,762**	**2,064**	**2,481**	**2,705**
Other Operating Expenses	**478**	**492**	**507**	**522**	**538**
Total Operating Expenses	**1,963**	**2,254**	**2,571**	**3,003**	**3,243**
Net Operating Income	**487**	**563**	**669**	**723**	**1,042**
Provision	-	-	-	-	-
C/O's	-	-	-	-	-
Net Income Before Tax	**487**	**563**	**669**	**723**	**1,042**

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Lessor / Broker – Sample Statements

Assets (in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
Balance Sheet Components					
Lease Receivable	66,141	74,204	84,127	95,961	109,845
Loss Allowance / Provision	(992)	(1,113)	(1,262)	(1,439)	(1,648)
Total Assets	**65,149**	**73,091**	**82,865**	**94,522**	**108,198**

Income Statement Components

1. Interest income and **broker/syndication income**
2. Fee income (documentation fees, late fees, insurance fees)
3. Charge-offs or actual losses on defaults
4. Operating expenses (salaries, overhead, interest expense, etc.)
5. Net income

Balance Sheet Components

1. Assets - future lease and loan payments
2. Provision for losses

Assets (in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
Income Statement Components					
Lease Income	6,938	7,719	8,708	9,905	11,319
Interest Expense	4,380	4,838	5,458	6,209	7,095
Net Interest Margin	**2,558**	**2,881**	**3,250**	**3,696**	**4,224**
Doc Fee Income & Other	110	127	145	167	192
Broker/Syndication Income	1,200	1,380	1,587	1,825	2,099
Non-Interest Income	**1,310**	**1,507**	**1,732**	**1,992**	**2,291**
Commissions	580	661	688	778	810
Salaries & Office Wages	711	870	1,106	1,379	1,543
Employee Benefits	194	230	269	324	353
Total Personnel Costs	**1,485**	**1,762**	**2,064**	**2,481**	**2,705**
Other Operating Expenses	**478**	**492**	**507**	**522**	**538**
Total Operating Expenses	**1,963**	**2,254**	**2,571**	**3,003**	**3,243**
Net Operating Income	**1,905**	**2,133**	**2,412**	**2,685**	**3,272**
Provision	92	121	149	178	208
C/O's	315	351	396	450	515
Net Income Before Tax	**1,497**	**1,661**	**1,867**	**2,057**	**2,549**

Pure Lessor – Sample Statements

(in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
Balance Sheet Components					
Lease Receivable	126,524	145,518	167,356	192,466	221,340
Loss Allowance / Provision	(1,898)	(2,183)	(2,510)	(2,887)	(3,320)
Total Assets	**124,626**	**143,335**	**164,846**	**189,579**	**218,020**

Income Statement Components

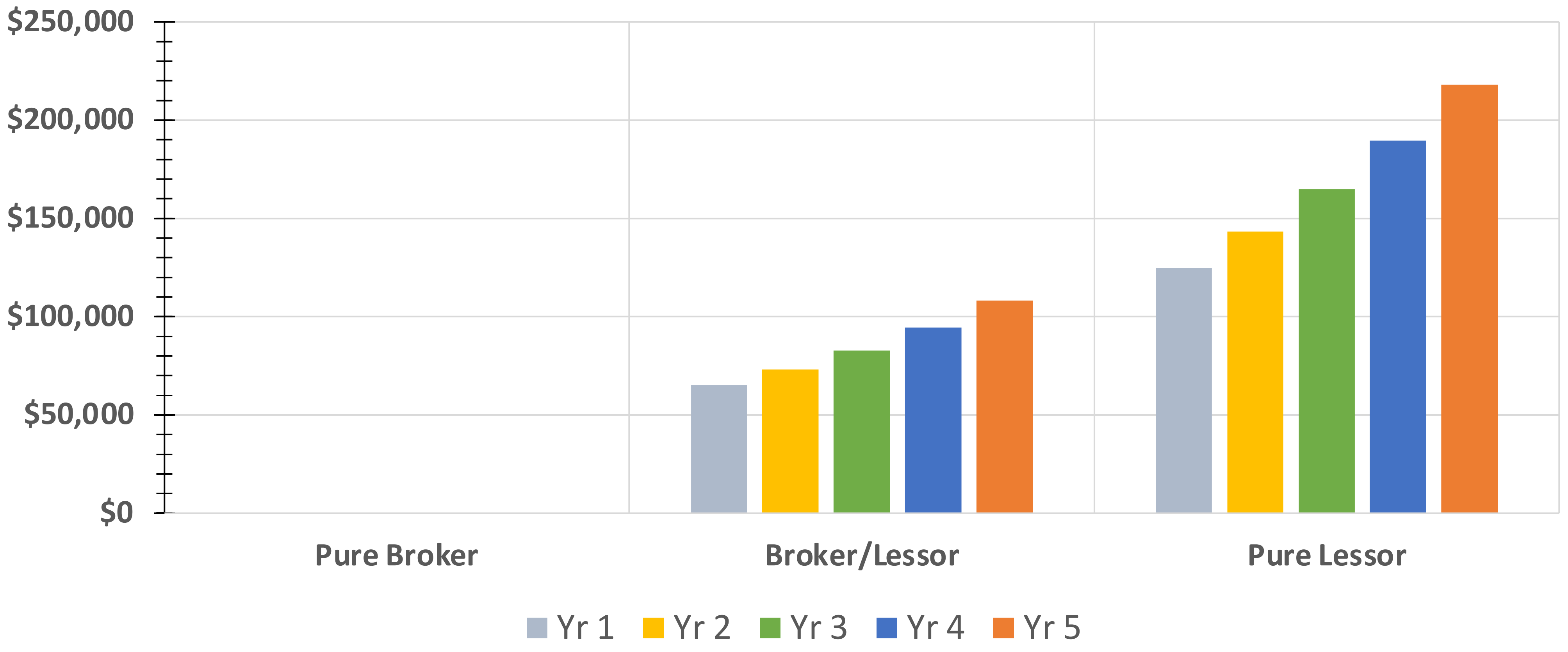
1. Interest income versus ~~broker/syndication income~~
2. Fee income (documentation fees, late fees, insurance fees)
3. Charge-offs or actual losses on defaults
4. Operating expenses (salaries, overhead, interest expense, etc.)
5. Net income

Balance Sheet Components

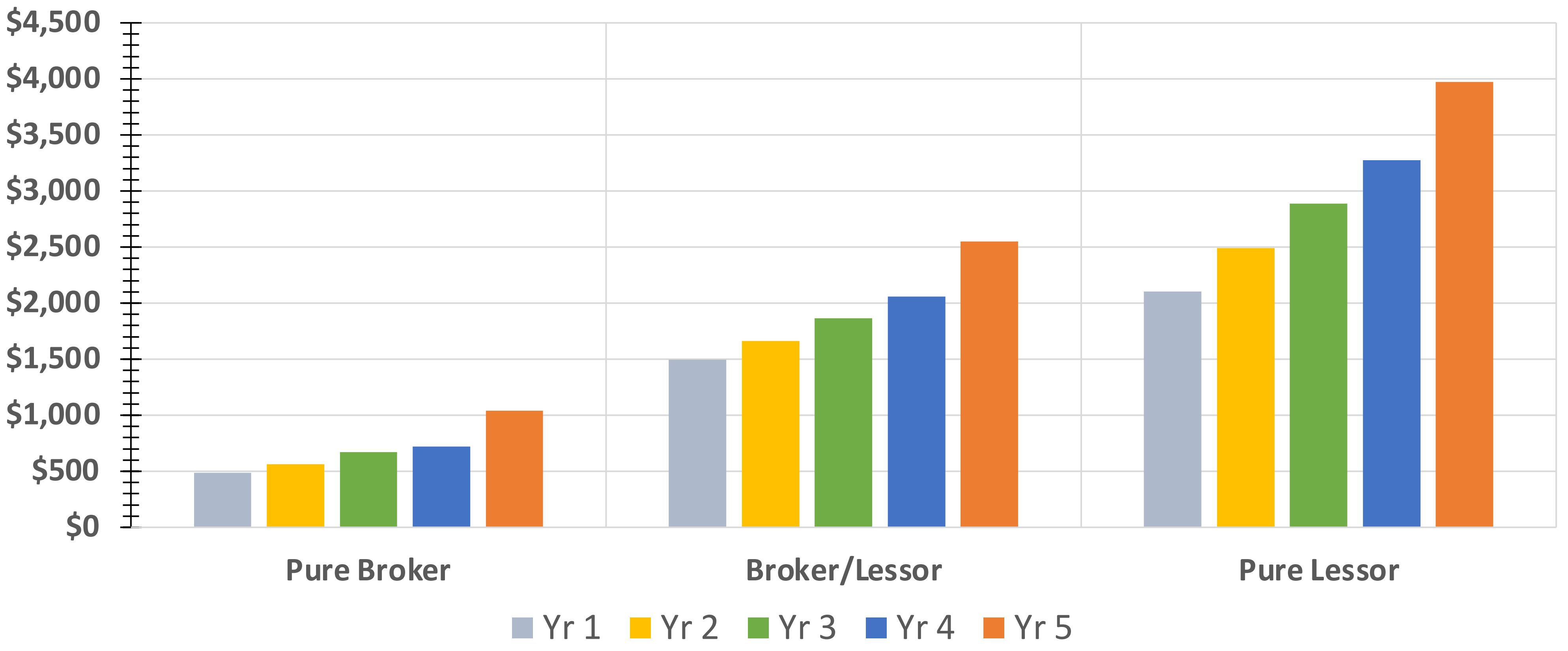
1. Assets - future lease and loan payments
2. Provision for losses

(in thousands)	T0 Start	Year 1	Year 2	Year 3	Year 4	Year 5
Income Statement Components						
Lease Income		13,009	14,962	17,208	19,790	22,759
Interest Expense		8,212	9,379	10,786	12,405	14,266
Net Interest Margin		**4,797**	**5,584**	**6,422**	**7,385**	**8,493**
Doc Fee Income & Other		110	127	145	167	192
Broker/Syndication Income		-	-	-	-	-
Non-Interest Income		**110**	**127**	**145**	**167**	**192**
Commissions		580	661	688	778	810
Salaries & Office Wages		711	870	1,106	1,379	1,543
Employee Benefits		194	230	269	324	353
Total Personnel Costs		**1,485**	**1,762**	**2,064**	**2,481**	**2,705**
Other Operating Expenses		**478**	**492**	**507**	**522**	**538**
Total Operating Expenses		**1,963**	**2,254**	**2,571**	**3,003**	**3,243**
Net Operating Income		**2,944**	**3,456**	**3,997**	**4,549**	**5,442**
Provision		248	285	328	377	433
C/O's		591	680	782	900	1,035
Net Income Before Tax		**2,105**	**2,491**	**2,887**	**3,273**	**3,975**

Total Assets (in thousands)



Net Income Before Taxes (in thousands)



PART 5

Conclusion

Conclusion

There are many types of leasing companies

Typical Progression:

Pure Broker > Lessors / Broker > Pure Lessors

Difference

Risk
Capital
Long term objective

THEY ARE ALL NECESSARY!

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Thank you!