The 123s of RFPs

By Mary A. Redmond

Published in *Legal* Management

November / December 2004

When acquiring assets through leasing, the purpose of drafting a finance RFP is to protect and insure the financial interests of your firm, the lessee. Written effectively, the finance RFP works as a tool to help ferret out – and remove – hidden costs specific to lease financing.

Experts agree: a well-drafted finance RFP is the vehicle that can drive the firm or practice toward financial goals when leasing assets, such as computer equipment, automobiles, or furniture. For the inexperienced, the challenge of drafting an RFP can be daunting, though it is doable.

Determined to do-it-yourself? Here's an RFP primer:

START WITH THE HARD PARTS

You might think you have done the hard part when you have completed a detailed Needs Analysis, determined budget, and selected equipment providers. But, alas! Several tricky sections lie ahead. Long before putting pen to paper, the finance RFP will be under construction. Early on, you will have collaborated with others in the firm and gathered information that forms the core of the document. Ideally, you will have

- communicated with the management team, administrative staff and all departments, including finance, facilities, telecommunications and IT;
- prioritized wants and needs and identified "mandatory" vs. "optional" in each category for corporate headquarters and satellite offices, domestic and international;
- identified prospective equipment vendors; and
- determined the budget.

SHIFT THE FOCUS

Here, the focus shifts to financing. First, understand all options. Rather than limiting the firm to financial terms offered by a "Captive Leasing Company" (the equipment supplier's leasing company), explore alternatives with banks and other independent lending institutions, especially if a relationship has already been established. Again, the underlying objective is to get what the firm needs when the firm needs it. And shave dollars off the deal.

DRAFT THE DOCUMENT

Designate an editor or coordinator to customize and finalize the project. A cohesive document helps avoid pitfalls that accompany competitive transactions.

1. **Corporate Overview:** Formal statement addresses the size of the firm, number of attorneys and staff; headquarters and satellite locations, corporate structure. Is this an upgrade, expansion, new acquisition, move or merger? How broad, deep and expansive is the project? Forecast as accurately as possible.
2. **Type of Lease:** Typically, an Off-Balance Sheet Operating Lease or other lease structure appropriate to the firm's financial considerations.
3. **General Terms and Conditions:** Require a copy of master lease agreement, including any and all applicable riders, addendums and schedules.
4. **Budget and Financial Considerations:** Request full disclosure: all fees and up-front financing costs, pure interest expense (if applicable), documentation fees and other fees or charges.
5. **Lease Term, Payments and Schedules:** Define length of lease, payment frequency (monthly, quarterly, annually); invoicing; terms; vendor payment; cost-of-funds indexing formula; and cost for interim rent financing.
6. **End-of-Term Options:** Primary considerations are a) buy; b) renew; c) return. Variables that make options more complex include fair market value, bargain purchase options, notification requirements (without penalty), and other non-principal repayment expenses.
7. **Other Particulars:** Coordinate with existing internal accounting system. Also consider asset-tracking capability, equipment maintenance agreement, administrative support, taxes, insurance requirements, late payment penalties, loss and damage, and all other variables.
8. **Contingencies:** Identify variables that affect the final outcome, including deadlines. For example, add an evaluation or negotiation phase.
9. **Cover Letter:** Highlight key components contained within the document: restate objectives and intent, budget, response deadline, award and completion dates and basis of the award. Also, identify a contact within your organization for questions or clarification.

Independent LEASE REVIEW Inc.
We inspect every detail

Mary A. Redmond • www.reviewyourlease.com
209 W. Front Street, Bonner Springs, KS 66012
913.441.4108 • Email: mary@reviewyourlease.com

About the Author

Mary Redmond is President of Independent Lease Review, Inc. Drawing on more than 20 years experience as a lease sales representative for major financial institutions, Redmond became a lessee advocate in equipment financing transactions early this century. Her client list includes law firms, banks, small and large businesses, non-profits and municipalities.
Contact her at *mary@reviewyourlease.com* or (913) 441-4108