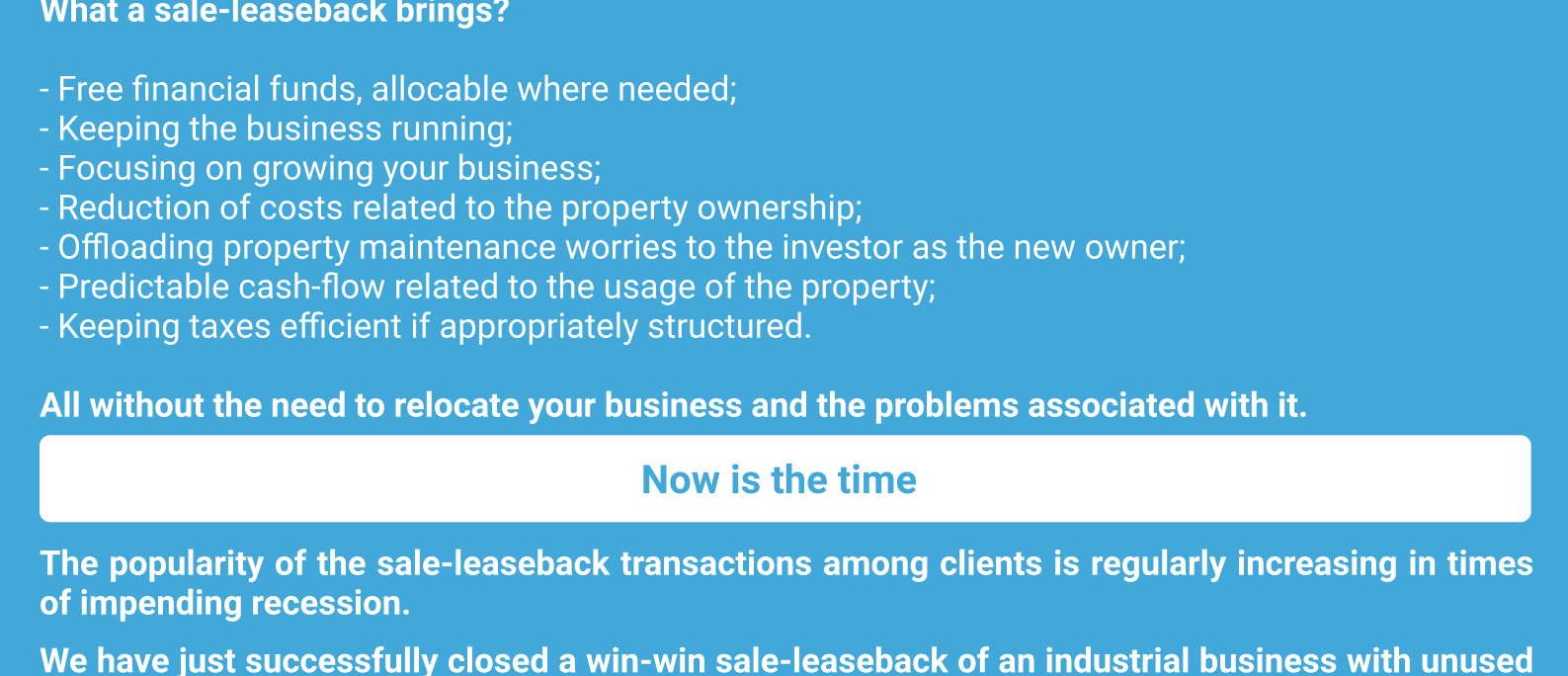




SALE AND LEASEBACK ARRANGEMENTS

delta legal

tpa
Facility Face Business



DO YOU OWN PROPERTY AND NEED FUNDS?

Use a sale-leaseback as an underestimated form of financing full of advantages.

With the impending recession, banks tend to make conditions for provision of financial means significantly more difficult. Do not overlook the possibilities of the assets allocated in real estate.

With a sale-leaseback, the owner of the property sells the property to an investor and enters a long-term lease agreement, by which the (already former) owner as the tenant leases back the sold property from the investor (as the new owner and the landlord). This enables you to receive funds from the sale purchase price and still continue using the same property for your business.

What a sale-leaseback brings?

- Free financial funds, allocable where needed;
- Keeping the business running;
- Focusing on growing your business;
- Reduction of costs related to the property ownership;
- Offloading property maintenance worries to the investor as the new owner;
- Predictable cash-flow related to the usage of the property;
- Keeping taxes efficient if appropriately structured.

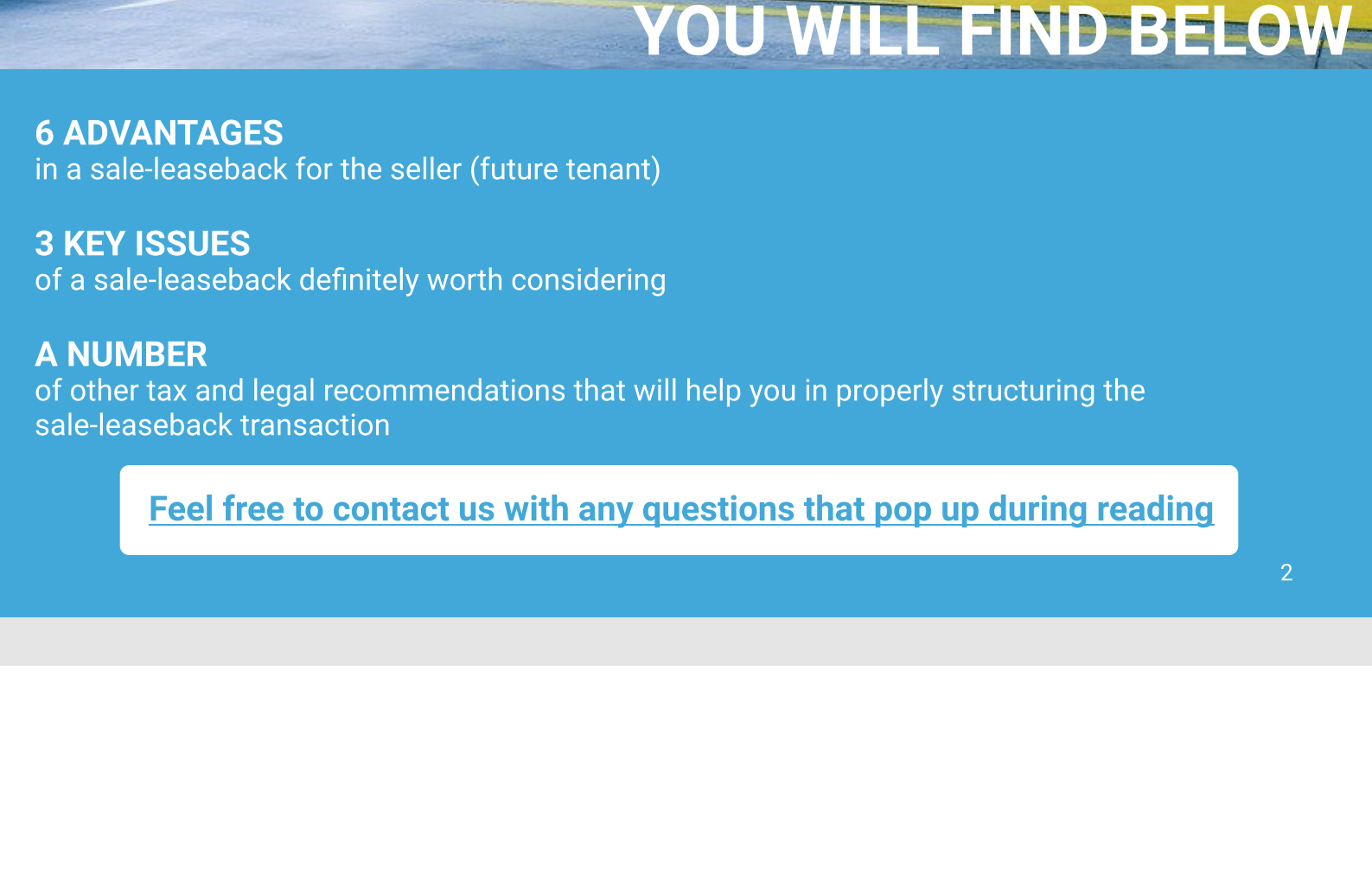
All without the need to relocate your business and the problems associated with it.

Now is the time

The popularity of the sale-leaseback transactions among clients is regularly increasing in times of impending recession.

We have just successfully closed a win-win sale-leaseback of an industrial business with unused surrounding land. High value of a long-term lease of a production building plus the development potential of so far unused surrounding lands captured the interest of the buyer and reflected well in the agreed purchase price, satisfying both parties. Furthermore, from 2020 onwards, real estate transfers are no longer subject to the transfer tax.

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YOU WILL FIND BELOW

6 ADVANTAGES

in a sale-leaseback for the seller (future tenant)

3 KEY ISSUES

of a sale-leaseback definitely worth considering

A NUMBER

of other tax and legal recommendations that will help you in properly structuring the sale-leaseback transaction

Feel free to contact us with any questions that pop up during reading

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Benefits

Considerations



1. It frees up funds for business

2. Manageable and predictable cash-flow

3. Timing gain and loss recognition

4. It keeps the property fit for use

5. Deduction of rental payments

6. It frees up time for your business

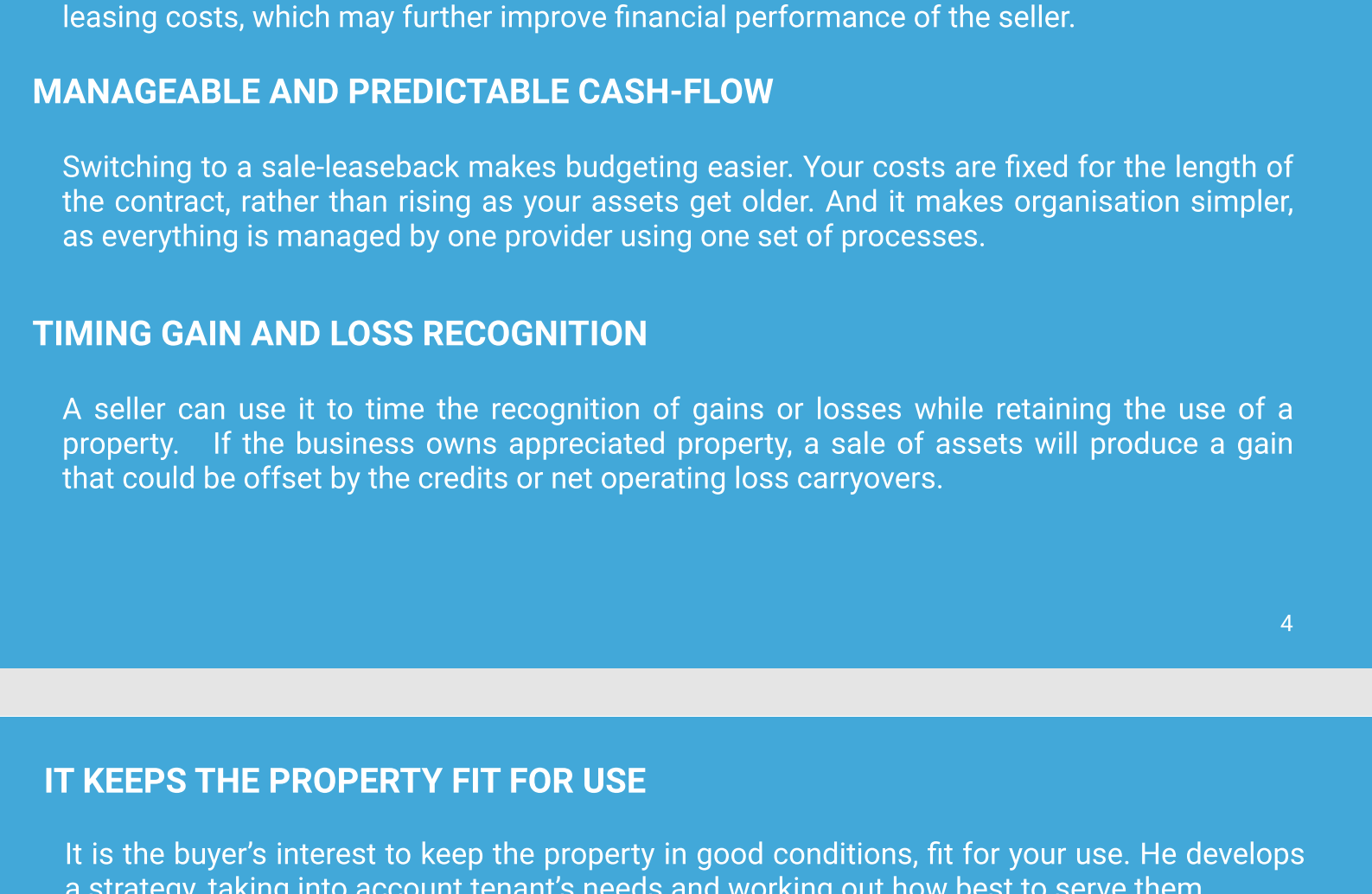
1. Adverse consequences unless properly structured

2. Lower flexibility

3. Risk of relocation

Find out more

3



BUSINESS BENEFITS

IT FREES UP FUNDS FOR BUSINESS

If you own a property, you'll have a lot of cash tied up in it that could be put to other uses. Selling those assets and leasing them back can free up capital to grow your business or making other crucial investments. The seller regains capital tied up in the property ownership, but at the same time, the seller retains possession and use of the property for the lease term.

The seller usually receives more cash with a sale-leaseback than through conventional mortgage financing. For example, if the transaction includes both land and improvements, the seller receives 100 percent of the property's market value (minus any capital gains tax). In comparison, conventional mortgage financing normally funds no more than 60 percent to 70 percent of a property's value. ROI on free up capital could be considerably higher than leasing costs, which may further improve financial performance of the seller.

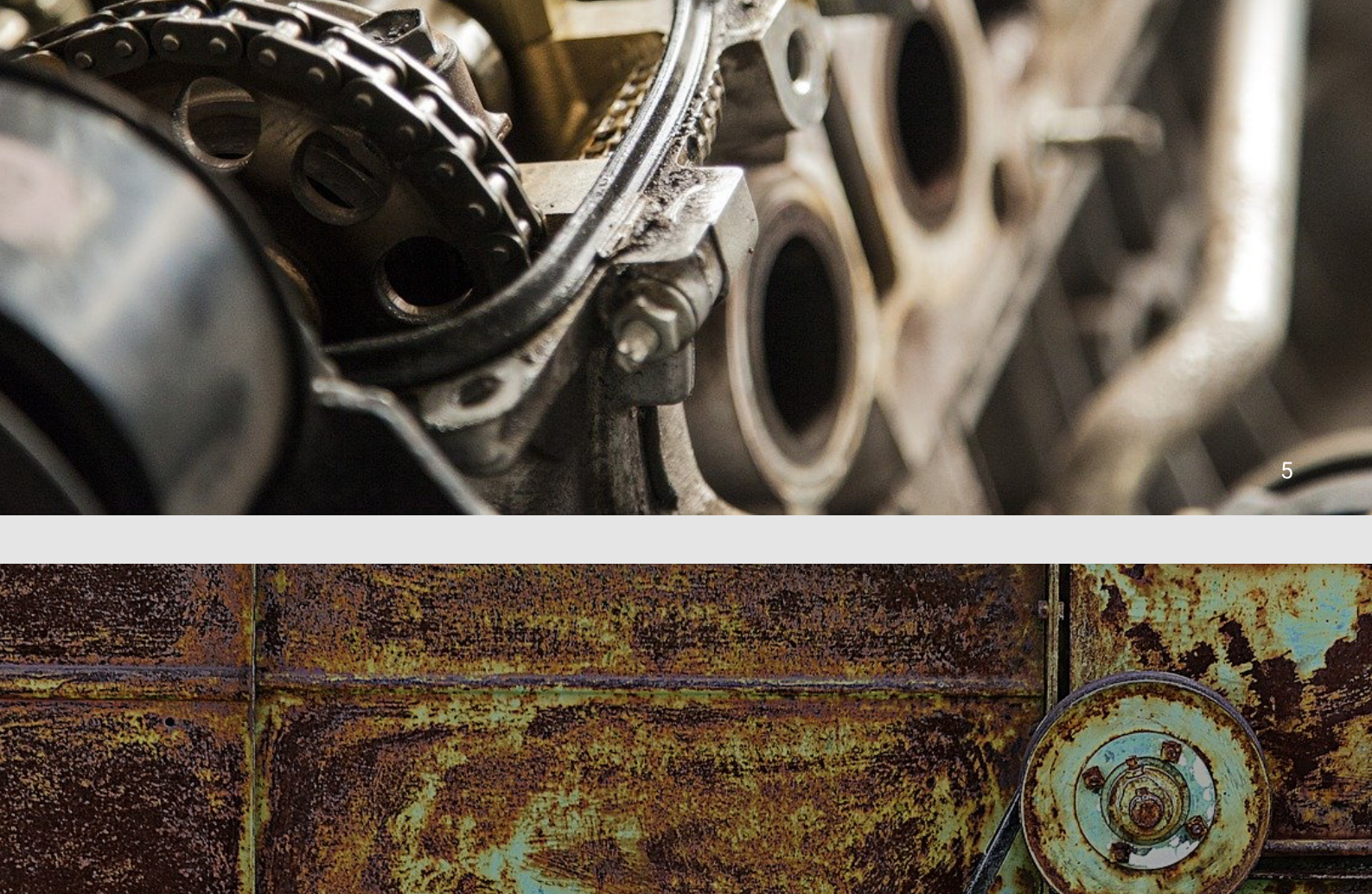
MANAGEABLE AND PREDICTABLE CASH-FLOW

Switching to a sale-leaseback makes budgeting easier. Your costs are fixed for the length of the contract, rather than rising as your assets get older. And it makes organisation simpler, as everything is managed by one provider using one set of processes.

TIMING GAIN AND LOSS RECOGNITION

A seller can use it to time the recognition of gains or losses while retaining the use of a property. If the business owns appreciated property, a sale of assets will produce a gain that could be offset by the credits or net operating loss carryovers.

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IT KEEPS THE PROPERTY FIT FOR USE

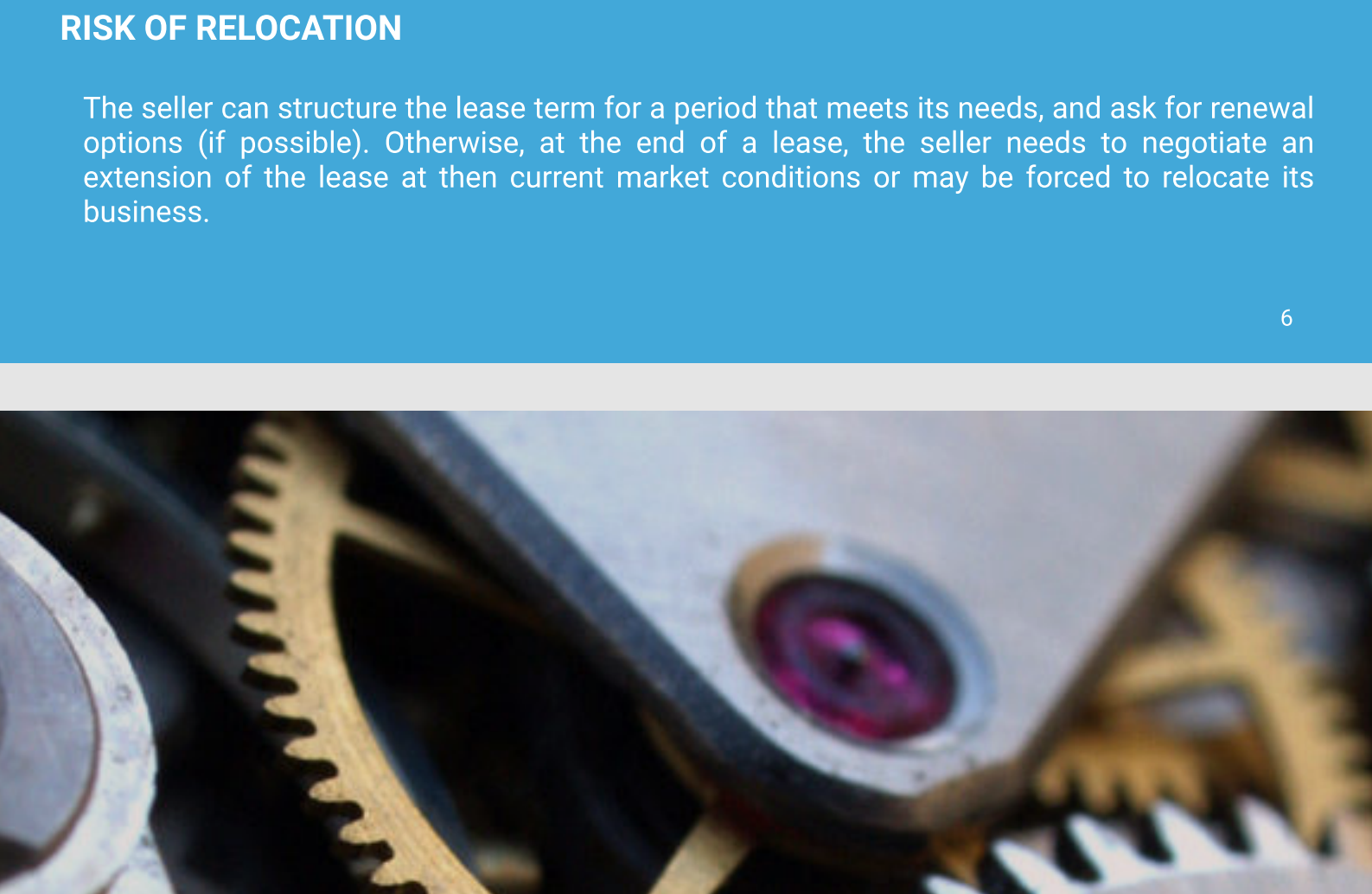
It is the buyer's interest to keep the property in good conditions, fit for your use. He develops a strategy, taking into account tenant's needs and working out how best to serve them.

DEDUCTION OF RENTAL PAYMENTS

The main advantage of a valid sale-leaseback is that rental payments under the lease are fully deductible. With conventional mortgage financing, a borrower deducts interest and depreciation only. The rental deduction may exceed the depreciation in three cases: if the property consists primarily of a non-depreciable asset, such as land (although land is non-depreciable, rental payments for the lease of land may be deducted); if the property has appreciated in value (while depreciation deductions are limited by the cost of the property, rental deductions may equal the fair market value of the property); or if the property has been fully depreciated.

IT FREES UP TIME FOR YOUR BUSINESS

A sale-leaseback doesn't only free up money, it also frees up your company's valuable time. It's usually the buyer, who takes over management of the property, including servicing and maintenance, thereby relieving you and your staff of the burden.



BUSINESS CONSIDERATIONS

ADVERSE CONSEQUENCES UNLESS PROPERLY STRUCTURED

Improper structuring of a sale-leaseback transaction may result in serious adverse tax and legal consequences to the seller.

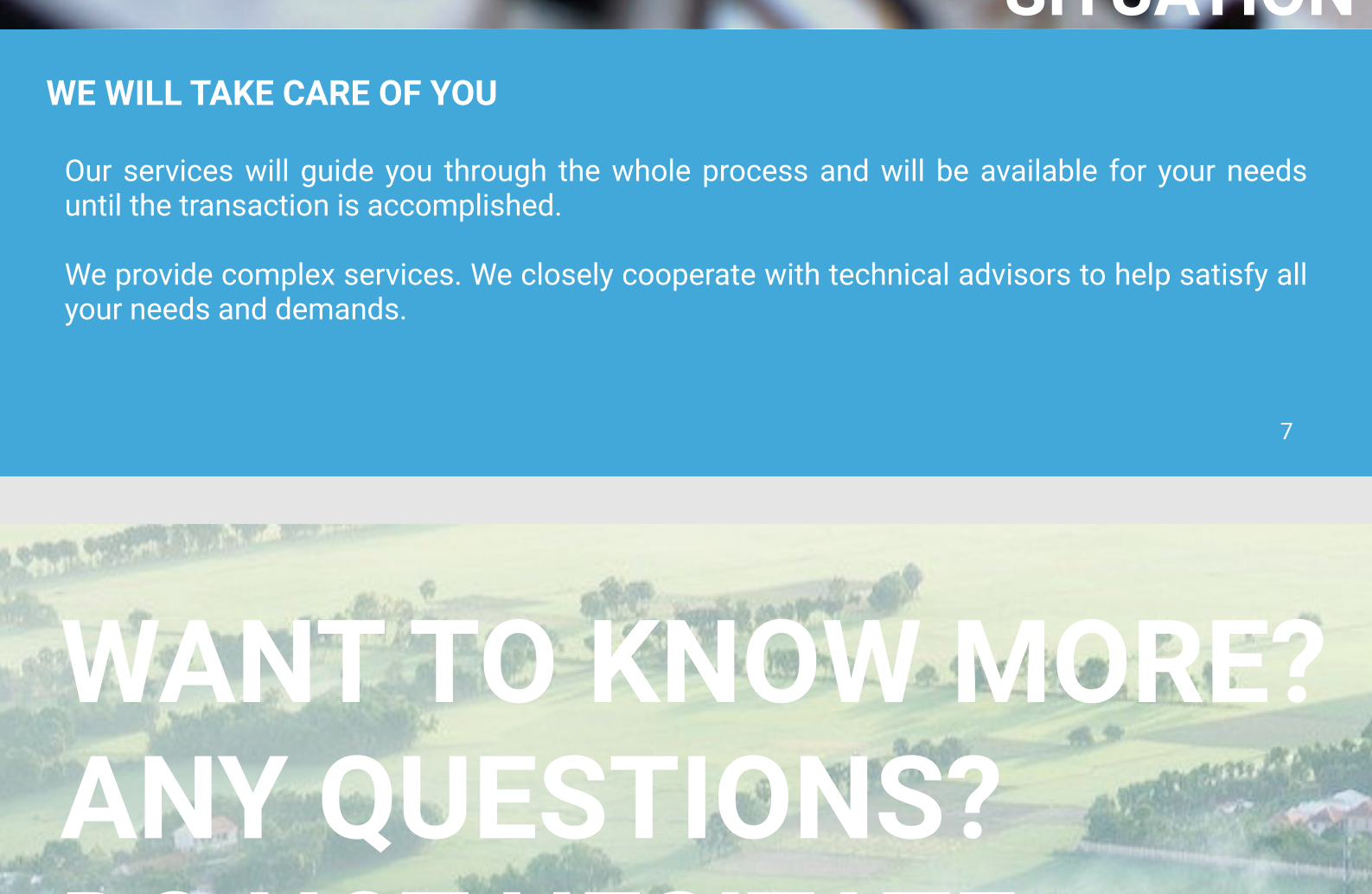
LOWER FLEXIBILITY

The seller loses the flexibility associated with property ownership, such as modifying or subletting the property, which is usually subject to the buyer's (landlord's consent).

RISK OF RELOCATION

The seller can structure the lease term for a period that meets its needs, and ask for renewal options (if possible). Otherwise, at the end of a lease, the seller needs to negotiate an extension of the lease at then current market conditions or may be forced to relocate its business.

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UNDERSTANDING YOUR SITUATION

WE WILL TAKE CARE OF YOU

Our services will guide you through the whole process and will be available for your needs until the transaction is accomplished.

We provide complex services. We closely cooperate with technical advisors to help satisfy all your needs and demands.

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