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Case Study: Grand Mesa Equipment

› *Large Equipment Dealer Realizes \$20M Cash Flow Boost in Six Months with Accruit 1031 Like-Kind Exchange Solution*

Primary Concern

Grand Mesa Equipment (GME) consistently maintains a positive income position and, due to consistent turnover in its rental fleet, is burdened with a substantial tax liability on the sale of these assets.

Challenge

GME's leadership was presented with a strategic acquisition opportunity. As a result, an improved cash position became very important in helping them meet their business objectives. GME's tax department estimated that by implementing an LKE program, the company would realize a substantial increase of its available cash, meaning it could complete its acquisition without taking on further debt.

However, after investigating the complexity involved in managing an LKE program (as well as the need to add head count to administer it internally), GME was on the verge of walking away from 1031s for good.

Solution

On the recommendation of their tax advisor, GME invited Accruit to evaluate their current business processes, rental portfolio and prospects for implementing a repetitive Like-Kind Exchange solution. Working with GME's tax advisor, Accruit completed a detailed assessment and implemented an LKE solution. The resulting full-service solution, which utilized Accruit's proprietary systems and patented process, included asset tracking, LKE matching, integrated Qualified Intermediary services and banking and treasury operations.

Information contained in this brochure should not be construed as tax advice or as a promise of potential tax savings or reduced tax liability. For more information about Like-Kind Exchange services, contact Accruit, your tax professional, or visit the Internal Revenue Service Web site at irs.gov.



Result

GME decided to include only 50% of its rental fleet in the program. After six months, they increased their cash position by \$20M and realized a tax deferral totaling \$8M – all without adding extra staff.

GME's new Accruit 1031 program allowed them to maintain a favorable debt-to-cash ratio, thereby significantly reducing the financing necessary to complete the pending acquisition. **The cost for implementation was recaptured after only four transactions**, and the annuity value of the program will substantially reduce Grand Mesa's tax burden indefinitely. Furthermore, the Accruit Like-Kind Exchange solution will encourage strategic asset management of its fleet to maximize rental profit and residual value.

* Grand Mesa Equipment is based on an actual Accruit client.