

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

UNITED STATES LEASING INTERNATIONAL INC

CIK: **101679** | IRS No.: **941360891** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1994

Commission file number 1-4976

USL Capital Corporation
(Exact name of registrant as specified in its charter)

Delaware 94-1360891
(State of Incorporation) (I.R.S. Employer Identification No.)

733 Front Street, San Francisco, California 94111
(Address of principal executive offices) (Zip Code)

(415) 627-9000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

As of May 13, 1994, the Registrant had outstanding 10 shares of Common Stock, all of which were owned by Ford Holdings, Inc.

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1) (a) AND (b), AND IS THEREFORE FILING THIS FORM 10-Q WITH REDUCED DISCLOSURE FORMAT.

USL CAPITAL CORPORATION
AND SUBSIDIARY COMPANIES

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USL CAPITAL CORPORATION
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(In thousands)	(Unaudited) March 31, 1994	December 31, 1993
ASSETS		
Cash and equivalents	\$ 11,209	\$ 6,708
Investment in finance leases - net	2,309,208	2,364,062

Notes receivable	717,288	721,257
Investment in operating leases - net	684,534	694,737
Investment in leveraged leases	188,098	190,502
Investment in securities	581,940	562,873
Inventory held for sale or lease	57,681	54,811
Other receivables	12,758	18,296
Investment in associated companies	18,246	18,357
Office facilities at cost less accumulated depreciation	7,879	8,386
Goodwill	187,778	189,239
Other assets	23,608	21,981
 Total assets	 \$4,800,227	 \$4,851,209

LIABILITIES

Short-term notes payable	\$1,055,759	\$ 985,277
Accounts payable	29,788	65,643
Accrued liabilities and lease deposits	123,561	120,416
Payable to Ford and affiliates	46,680	79,490
Deferred taxes on income	325,777	314,505
Long-term debt	2,460,978	2,548,250
 Total liabilities	 4,042,543	 4,113,581

COMMITMENTS AND CONTINGENCIES

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SHAREHOLDER'S EQUITY

Common stock	*	*
Additional capital	521,425	521,425
Net unrealized gain/(loss) on available-for-sale securities	(983)	-
Retained earnings	237,242	216,203
 Total shareholder's equity	 757,684	 737,628
 Total liabilities and shareholder's equity	 \$4,800,227	 \$4,851,209

*Less than one thousand dollars

See NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

USL CAPITAL CORPORATION
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited; in thousands)	Three Months Ended	
	March 31,	
	1994	1993
REVENUES	\$143,011	\$132,477
EXPENSES		
Sales, administrative and general	16,733	17,599
Interest	52,291	43,709
Depreciation -- operating leases	32,575	34,874
Other	10,579	11,174
Total expenses	112,178	107,356
Income before taxes on income	30,833	25,121
Taxes on income	9,794	8,264
NET INCOME	\$ 21,039	\$ 16,857

See NOTES TO CONSENSUED CONSOLIDATED FINANCIAL STATEMENTS.

USL CAPITAL CORPORATION
AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in thousands)	Three Months Ended	
	March 31,	
	1994	1993
Net cash flow from operating activities	\$ 15,114	\$ 22,055
CASH FLOWS FROM INVESTING ACTIVITIES		
Recovery of equipment costs and residual interests	163,442	157,173
Proceeds from sale of finance receivables	37,543	21,775
Cost of equipment acquired for lease	(173,986)	(350,213)
Notes receivable investments	(13,398)	(47,666)
Collections on notes receivable investments	12,422	26,110
Purchase of held-to-maturity securities	(10,349)	-
Maturity of held-to-maturity securities	937	-
Purchase of available-for-sale securities	(6,420)	-
Sale and maturity of available-for-sale securities	366	-
Purchase of investment securities	-	(29,741)
Sale of investment securities	-	13
Increase in deferred initial direct costs	(843)	(1,036)
Other	(3,329)	549

Net cash (used)/provided by investing activities	6,385	(223,036)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	2,766	299,539
Long-term debt repaid	(90,246)	(50,182)
Net increase/(decrease) in short-term borrowings	70,482	(38,632)
Net cash (used)/provided by financing activities	(16,998)	210,725
Increase in cash and equivalents	4,501	9,744
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	6,708	5,001
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 11,209	\$ 14,745
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Interest paid	\$ 40,355	\$ 29,120
Income taxes paid	158	159
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
None		

See NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

USL CAPITAL CORPORATION
AND SUBSIDIARY COMPANIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year. The December 31, 1993 consolidated balance sheet included herein is derived from the audited financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 1993, but does not include all disclosures required by generally accepted accounting principles. The statements should be read in conjunction with the significant accounting policies and notes to consolidated financial statements included in the Form 10-K for the year ended December 31, 1993. Certain amounts have been reclassified to conform to the 1994 presentation.

The Company is a wholly-owned subsidiary of Ford Holdings, Inc., the common stock of which is owned by Ford Motor Company ("Ford") and Ford Motor Credit Company, a wholly-owned subsidiary of Ford.

2. INVESTMENTS IN DEBT AND EQUITY SECURITIES

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities", effective January 1, 1994. The effect on the Company's financial statements was not material.

USL CAPITAL CORPORATION AND SUBSIDIARY COMPANIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Pursuant to General Instructions H(2)(a), the following narrative analysis is presented in lieu of Management's Discussion and Analysis of Financial Condition and Results of Operations.

RESULTS OF OPERATIONS

Revenues, Expenses and Operating Profit

(In thousands)	Three Months Ended		1994 vs. 1993	
	March 31, 1994	March 31, 1993	Increase/ Amount	(Decrease) %
Revenues	\$143,011	\$132,477	\$ 10,534	8%
Expenses				
Sales, admin. & general	16,733	17,599	(866)	(5)
Interest	52,291	43,709	8,582	20
Depreciation	32,575	34,874	(2,299)	(7)
Other expenses	10,579	11,174	(595)	(5)
Total expenses	112,178	107,356	4,822	4
Operating Profit	\$ 30,833	\$ 25,121	\$ 5,712	23%

Revenues

Consolidated revenues increased \$10.5 million or 8% during the first three months of 1994 reflecting a 25% increase in average earning assets. This

increase was partially offset by a decrease in revenue yields relating to the general decline in interest rates and a decrease of \$2.6 million in the gain on sale of residuals and equipment.

Expenses

Total expenses for the first quarter of 1994 increased \$4.8 million or 4%, and are discussed below.

Sales, administrative and general expenses decreased \$866,000 or 5% in the first three months of 1994 compared with the 1993 three-month period. The decrease primarily is a result of cost reduction actions.

Interest expense increased \$8.6 million or 20% for the three-month period, reflecting an increase in average borrowings from \$2.86 billion in 1993 to \$3.53 billion in 1994 to finance earning assets. This increase was offset in part by a decline in borrowing rates, which averaged 5.9% in the first three months of 1994 compared to 6.1% in 1993.

Depreciation expense on operating lease equipment decreased \$2.3 million or 7% in the 1994 three-month period, although the average investment in the cost of operating lease equipment increased 12% or \$107 million during the period. This increase in equipment cost primarily reflects the addition of approximately \$116 million in the Rail Services business at the end of February 1993, with an average life of 16 years, offset in part by a decline in operating lease equipment in the Fleet Services business. The reduction in depreciation expense is the result of the shift to the longer depreciable life rail car assets and certain Fleet assets becoming fully depreciated.

Other expenses decreased \$595,000 or 5% in the 1994 first three months primarily due to a decrease in the provision for losses (see Credit loss experience).

Income before taxes on income

Based upon the discussion above, operating profit for the first three months improved \$5.7 million or 23% compared with 1993 results.

Taxes on income

Income tax expense was 31.8% of income before taxes in the 1994 three-month period compared with 32.9% in the same 1993 period. The decrease from 1993 is primarily a result of an increase in income exempt from Federal taxes, offset in part by the 1993 1% U.S. Corporate tax rate increase which was effective as of January 1, but was not enacted until the third quarter of 1993.

GENERAL

Credit loss experience

The management of credit exposure is an important element of the Company's

business. The Company reviews the credit of all prospective customers, and manages concentration exposures by customer, collateral type, and geographic distribution. It establishes appropriate loss allowances based on the credit characteristics and the loss experience for each type of business, and also establishes additional reserves for specific transactions if it believes this action is warranted. Delinquent receivables are reviewed by management monthly, and generally are written down to expected realizable value when, in the opinion of management, they become uncollectible or when they become more than 180 days past due. Collection activities continue on accounts written off when management believes such action is warranted.

The table below shows certain information on the Company's allowance for doubtful accounts related to earning assets for the periods indicated:

	Three Months Ended March 31,		Twelve Months Ended December 31,
	1994	1993	1993
Allowance for doubtful accounts (millions)			
Beginning balance	\$54.5	\$ 39.9	\$ 39.9
Additions	3.8	4.4	24.4
Deductions	(1.4)	(1.9)	(9.8)
Ending balance	\$ 56.9	\$ 42.4	\$ 54.5
Percent of earning assets	1.2%	1.1%	1.2%
Total balances of accounts receivable over 90 days past due at period end (millions)	\$46.4	\$ 43.6	\$ 44.3
Percentage of earning assets	1.0%	1.2%	1.0%
Total earning assets (millions)			
Investment in finance leases - net	\$2,309.2	\$2,060.2	\$2,364.1
Investment in operating leases - net	684.5	670.0	694.7
Investment in leveraged leases	188.1	45.5	190.5
Notes receivable	717.3	521.6	721.3
Investment in securities	581.9	363.5	562.9
Inventory held for sale or lease	57.7	89.0	54.8
Investment in associated companies	18.3	19.6	18.3
Total	\$4,557.0	\$3,769.4	\$4,606.6

Since December 31, 1993, accounts receivable over 90 days past due increased \$2.1 million. Included in the balance at both December 31, 1993 and March 31, 1994 is a delinquent note in the amount of \$8.7 million, collateralized by an

office complex, for which the Company is currently pursuing a judicial foreclosure.

Earning assets by business unit

The table below summarizes the earning assets by business unit as a percentage of the total.

	March 31,		December 31,
	1994	1993	1993
Business Equipment Financing	30%	35%	32%
Transportation and Industrial Financing	24	22	24
Fleet Services	10	12	10
Municipal and Corporate Financing	17	11	16
Real Estate Financing	10	9	9
Rail Services	9	11	9
Total	100%	100%	100%

PART II - OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

12. Computation of ratio of earnings to fixed charges.

(b) Reports on Form 8-K.

There were no Form 8-K reports required to be filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

USL CAPITAL CORPORATION

May 13, 1994
Date

By: /s/ George F. Stallos
George F. Stallos
Executive Vice President
and Chief Financial Officer

May 13, 1994
Date

By: /s/ Robert A. Keyes, Jr.
Robert A. Keyes, Jr.
Corporate Controller

Exhibit 12

USL CAPITAL CORPORATION
AND SUBSIDIARY COMPANIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited; in thousands)	Three Months Ended	
	1994	1993
Earnings:		
Income before taxes on income per statement of income	\$ 30,833	\$ 25,121
Add		
Fixed charges	53,105	44,716
Distributions and proceeds in excess of net income of associated companies	112	120
Income as adjusted	\$ 84,050	\$ 69,957
Fixed charges:		
Interest on indebtedness including amortization of debt issue costs and discount or premium thereon	\$ 52,291	\$ 43,709
Interest factor of annual rentals (1)	814	1,007
Fixed charges.	\$ 53,105	\$ 44,716
Ratio of earnings to fixed charges	1.6	1.6

(1) The interest portion of annual rentals is estimated to be one-third of such rentals.

