

LEASOURCE FINANCIAL SERVICES, INC.

1000 River Rock Drive, #218 · Folsom, CA 95630 · Phone: 800-991-0099 or 916-988-7723 · Fax: 800-988-3931 · Email: info@leasource.com

TRAC LEASE INFORMATION (Vehicle Write Off) Terminal Rental Adjustment Clause

The Bank, for federal income tax purposes, treats TRAC leases as true leases. The Bank takes the depreciation and passes on the benefit to the lessee in the form of a lower rate. Since the Bank is a calendar year taxpayer, the rates are lower in the latter part of the year, assuming no change in the cost of money.

A TRAC lease may be written on titled equipment such as trucks and trailers, and motorized, self-propelled equipment such as farm tractors, combines, golf carts, backhoes, and forklifts. Equipment that is permanently attached, such as a truck body, qualifies as part of the equipment.

Livery vehicles such as passenger buses, taxis, and ambulances are not eligible for a TRAC Lease for liability reasons; livery vehicles must be documented as an EFA.

Lease Size

\$20,000 and up

Terms/Structure

Two to seven years

The minimum residual percentage is 20%. Higher residuals are possible on short-term leases.

Pricing

Pricing is based on the standard published lease pricing which is tax adjusted based on the MACRS life of the equipment and the time of the year when the equipment is delivered.

For the best pricing, match the lease term with the MACRS life of the equipment. (*Shown at the right*)

MARCS Life for Eligible Equipment

Over the road tractors	3 years
All other tilted vehicles	
All Trailers	5 years
Construction Equipment	
Agricultural Equipment	7 years
Forklifts	

Equipment

New and used equipment is eligible. When a lease includes equipment with MACRS lives, a master lease with separate schedules for each MACRS life must be used.

Documentation

The Bank's TRAC Addendum must be used to document the end of term options.

Purchase Option

At the end of the lease term, the lessee may return the equipment to the Bank and the Bank will sell the equipment through its standard wholesale procedures. If the equipment sale proceeds net of the Bank's costs exceeds the Equipment's Stipulated Value (residual), the lessee will receive a refund of the difference. If the net sale proceeds are less than the stipulated value, the lessee shall pay the deficiency.

As an alternative to returning the equipment, the lessee may purchase the equipment at the end of the lease term for its then fair market value (FMV). FMV will be an amount agreed on by the Bank and the lessee, or if necessary it will be determined by an appraisal paid for by the lessee. The FMV will be subject to adjustment per the procedures in the above paragraph (i.e., if FMV net of the Bank's cost exceeds the stipulated value, the lessee will receive a refund of the difference; if the FMV is less than the stipulated value net of the Bank's costs, the lessee shall pay the deficiency).