

Leasource Financial Services, Inc.

1000 River Rock Drive, Suite 218, Folsom, CA 95630

Toll Free: 800-991-0099 Local: 916-988-7723 Fax: 916-988-3931

PRO LEASE INFORMATION (Tax Write Off)

Purchase Renewal Option

The Bank, for federal income tax purposes, treats PRO Leases as true leases. The Bank takes the depreciation and passes on the benefit to the lessee in the form of a lower rate. Because 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.

Lease Size

\$100,000.00 and up

Terms/Structure

Two to seven years. Numerous structuring plans are available.

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. There are occasions when a shorter-term PRO lease might make sense. This occurs when the customer is looking for an operating lease (as defined by FASB-13), and a shorter term with a higher residual has a higher probability of meeting the FASB-13 tests. The customer's CPA must make the decision regarding qualifying the lease as an operating lease.

Equipment

New and used equipment is eligible.

Qualifying equipment must be depreciable, personal property used for business purposes only. Intangibles, such as software, etc., may be included, but must be "bundled" in the total price so the Bank may depreciate the entire asset. If the software cannot be bundled, it must be financed separately on a \$1.00 out lease, or an EFA (Equipment Financing Agreement).

Documentation

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

Purchase Option

The purchase option on a PRO Lease will be the residual % or Fair Market Value (**whichever is greater**). The residual % will be determined by the type of equipment, lease term and financial strength of the Lessee.

The Lessee must give the Bank at least 90 days notice of its intent to exercise the purchase option. The Lessee's estimate of the FMV may be given at that time. If the Lessee does not give the Bank adequate notice to purchase the equipment, the lease will be automatically extended for an additional term (Bank policy of 12 month). The 12-month renewal payment is based on a percentage of original equipment cost. Renewal payment percentages are subject to change without notice (Shown at the right)

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At the end of the renewal period, the Lessee shall return the equipment to the Bank.

When documenting a PRO lease, which includes several types of equipment with different MACRS lives, a Master Lease with separate schedules will be used for each different MACRS life equipment. The Bank must book and depreciate each schedule separately.