



TYPES OF LEASES

General Types of Leases

\$1 Buyout Lease

The \$1 Buyout Lease is primarily designed for businesses who are fairly certain that they want to own the equipment after their lease term ends. The \$1 Buyout Lease combines some of the benefits of leasing with those of ownership. This is the preferred option for businesses who believe that they will want to own the equipment at the end of the lease term.

At the end of the lease term, the business can purchase the equipment for \$1.00.

10% purchase option

This lease is for businesses who want the flexibility to purchase, continue leasing, or return the equipment, but wish to lock in their costs at the time the lease is initiated.

At the end of the lease term, the business may do either of the following:

- Replace the equipment with new equipment
- Purchase the equipment for 10% of the original financed amount

Fair Market Value (FMV) Lease

A FMV lease is primarily designed for businesses that want the lowest monthly payment with the greatest flexibility at the end of the lease term. With a FMV lease, the lessor retains ownership of the asset for tax purposes, and the lessee typically claims all lease payments as an operating expense or tax deduction. A FMV lease is a good option for a company that wants to control its budget with the lowest available payment freeing up cash for its core business.

At the end of the lease term, you have the following options:

- Return the old equipment
- Continue to lease it for a monthly amount based on the Fair Market Value
- Purchase the equipment at Fair Market Value

TRAC Lease

A TRAC lease is designed for commercial vehicles and trailers. At the end of the lease term, the vehicle may be purchased for the remaining book value. If the vehicle is sold to a third party for more than the remaining book value, the excess proceeds go to the lessee. If it is sold for less than the remaining book value, the lessee must pay the difference to the lessor. This "adjustment clause" allows the lessee to fully claim the lease payment as a business expense. .

**Please consult your tax advisor regarding any tax and accounting questions.